

**City of Rockville
Pension Fund**

**Analysis of Investment Performance
through December 31, 2007**



**George Kiriakos
Vice President**

February 2008



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February 14, 2008

Board of Trustees
City of Rockville Pension Fund
111 Maryland Avenue
Rockville, MD 20854

Dear Trustees:

This report presents our updated analysis of the City of Rockville Pension Fund's investment performance and traces the growth of assets through December 31, 2007. It is based on data provided to us by your custodian and the various investment managers. The report illustrates the investment performance of the overall Fund and also shows results by asset class segment and by individual manager in comparison with the various performance benchmarks defined in the Fund's statement of guidelines and objectives.

We hope you find this report useful as a tool for monitoring the performance of the Fund as well as a basis for discussion of the investment issues surrounding the investment program. We look forward to reviewing this report with you and answering any questions you may have.

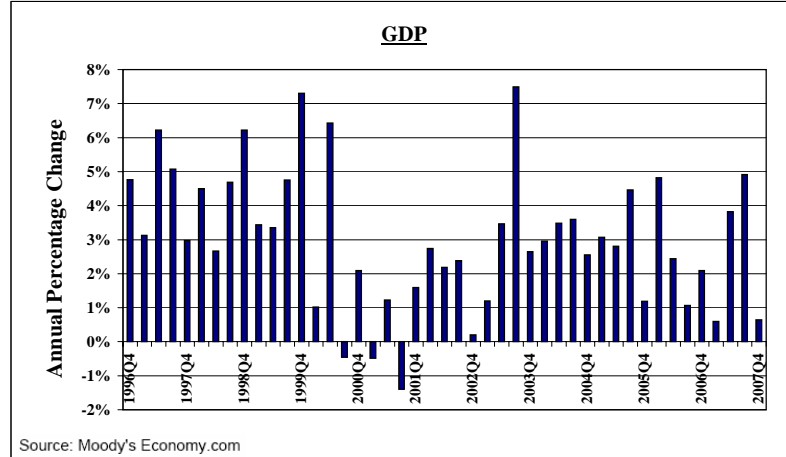
Sincerely,

George Kiriakos
Vice-President

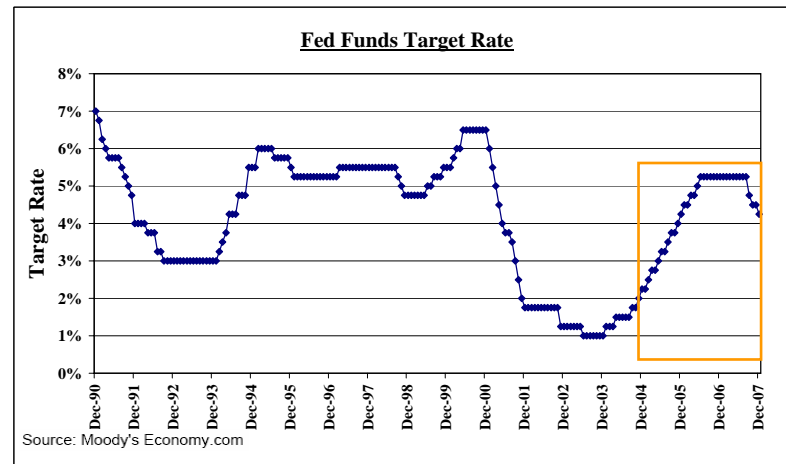
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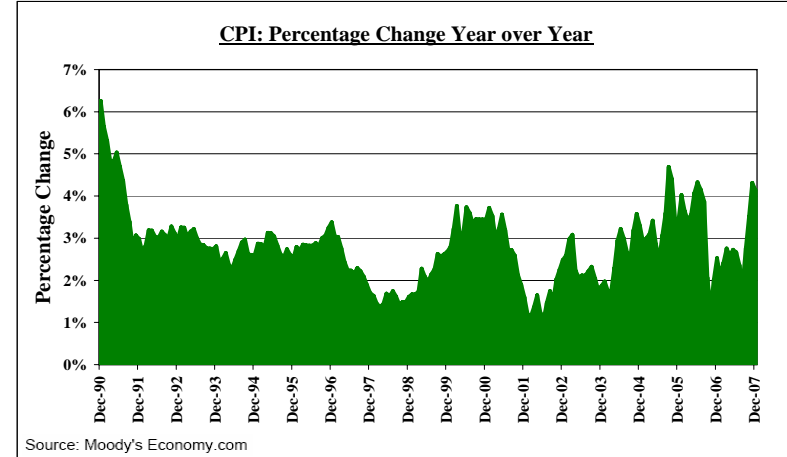
Macroeconomic Themes



- Q4 2007 GDP advanced at a 0.6% annualized rate, a significant slowing from the 4.9% advance in Q3 2007. The Q4 figure was half of the consensus expectations. A fall in inventories and weaker growth in federal spending, exports and consumer spending were behind the slowdown. Weakness spread beyond housing and the risk of recession is increasing. The biggest reason for the slower growth in GDP was a large drop in inventories.
- Housing remains a major weight on growth. Real investment in residential structures fell 24% on an annualized basis, compared to a 21% decline during Q3.



- In response to slowing economic growth, weakening consumer spending, consumer sentiment, and continued deterioration in the housing market, the FOMC cut the Fed Funds Target Rate by a total of 50 bps throughout the fourth quarter to 4.25%. The FOMC made a cut of 25bps at both the October 31 and December 11 meetings.

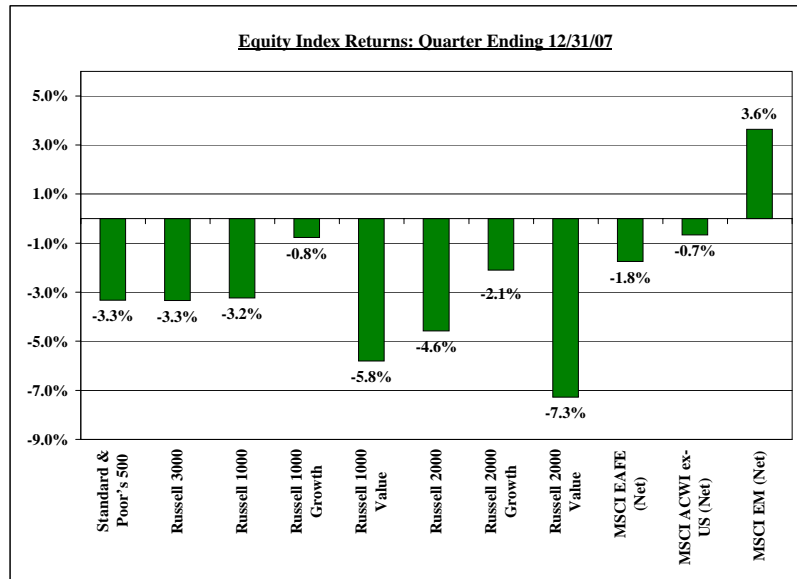


- On a year ago basis, headline CPI rose by 4.1% in December. CPI jumped 0.8% in November, as higher energy prices led to stronger top-line inflation. While core inflation is on the upper-bound of the Fed's "comfort range," the higher risk of recession negates the Fed's desire for anti-inflation policy action.
- The core index, which excludes food and energy prices, increased during Q4. Over the past year, core CPI registered a 2.4% rate, which increased slightly on a year-ago basis.



- The unemployment rate increased by 30 basis points to 5.0% in December. Payroll employment increased by only 18,000 jobs, the smallest gain since mid-2003. Job growth in professional, technical, healthcare and food services continued to be offset by job losses in construction, manufacturing and retail.

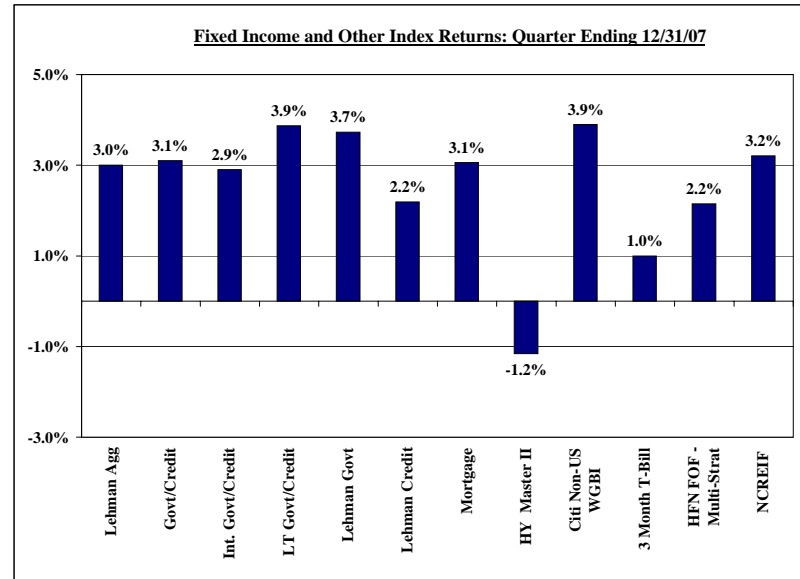
Selected Equity and Fixed Income Index Rates of Return for Periods Ended December 31, 2007



Equity Indices

	Quarter	YTD	1-year	3-year	5-year	10-year
Standard & Poor's 500	-3.3%	5.5	5.5	8.6	12.8	5.9
Russell 3000	-3.3%	5.1	5.1	8.9	13.6	6.2
Russell 1000	-3.2%	5.8	5.8	9.1	13.4	6.2
Russell 1000 Growth	-0.8%	11.8	11.8	8.7	12.1	3.8
Russell 1000 Value	-5.8%	-0.2	-0.2	9.3	14.6	7.7
Russell 2000	-4.6%	-1.6	-1.6	6.8	16.2	7.1
Russell 2000 Growth	-2.1%	7.1	7.1	8.1	16.5	4.3
Russell 2000 Value	-7.3%	-9.8	-9.8	5.3	15.8	9.1
MSCI EAFE (Net)	-1.8%	11.2	11.2	16.8	21.6	8.7
MSCI ACWI ex-US (Net)	-0.7%	16.7	16.7	19.9	24.0	10.1*
MSCI EM (Net)	3.6%	39.4	39.4	35.2	37.0	14.5*

*For 10-year performance, Gross returns are provided.

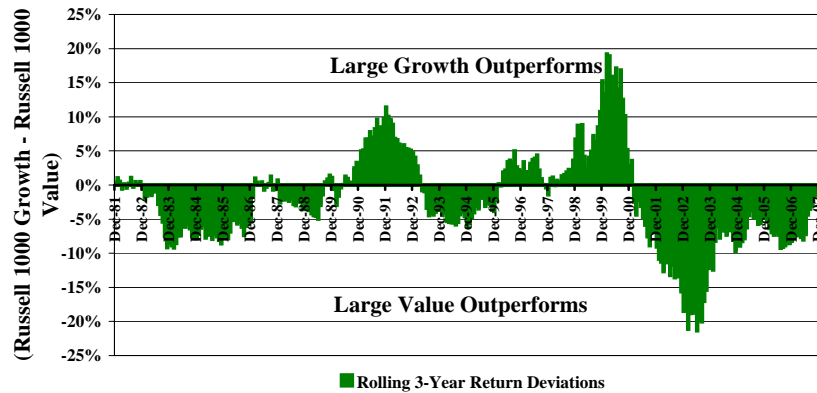


Fixed Income Indices

	Quarter	YTD	1-year	3-year	5-year	10-year
Lehman Aggregate	3.0%	7.0	7.0	4.6	4.4	6.0
Lehman Govt/Credit	3.1%	7.2	7.2	4.4	4.4	6.0
Lehman Int. Govt/Credit	2.9%	7.4	7.4	4.3	4.1	5.8
Lehman Long Govt/Credit	3.9%	6.6	6.6	4.9	5.8	7.0
Lehman Govt	3.7%	8.7	8.7	4.9	4.1	5.9
Lehman Credit	2.2%	5.1	5.1	3.8	4.8	6.1
Lehman Mortgage	3.1%	6.9	6.9	4.9	4.5	5.9
ML High Yield Master II	-1.2%	2.2	2.2	5.5	10.8	5.5
Citigroup Non-US WGBI (Un)	3.9%	11.5	11.5	2.7	7.5	6.3
Citigroup 3 Month T-Bill	1.0%	4.7	4.7	4.2	3.0	3.6
<u>Other Indices</u>						
HFN HFOF Multi-Strat	2.2%	9.9	9.9	8.8	9.0	9.4
NCREIF Property Index	3.2%	15.8	15.8	17.5	15.1	12.9

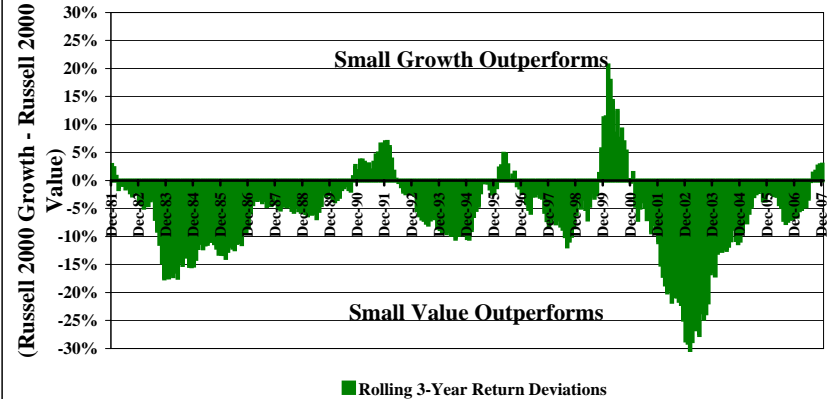
Equity Themes

Equity Style Cycle: Rolling Returns Analysis



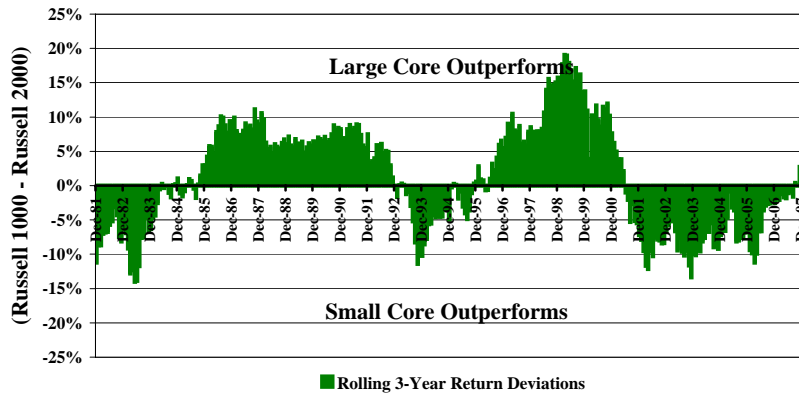
- Index Inception (i.e., January 1979): R1000V: **14.2%**; R1000G: **11.9%** (+230 bps)
- After 7 consecutive years of outperformance by the R1000V relative to the R1000G, the R1000G beat the R1000V on a trailing 1-year basis (+1199 bps).

Equity Style Cycle: Rolling Returns Analysis



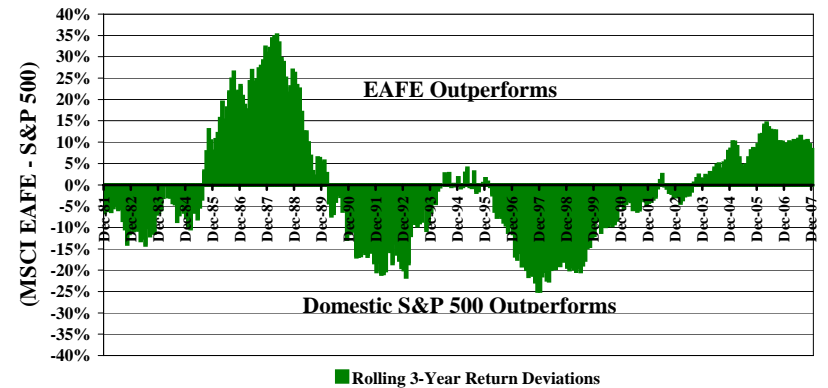
- Index Inception (i.e., January 1979): R2000V: **14.9%**; R2000G: **10.2%** (+472 bps)
- The R2000V outperformed the R2000G in 6 of last 10 calendar years; however, the R2000G outperformed the R2000V during the trailing 1-year (+1690 bps), 3-year (+280 bps), and 5-year (+70 bps) time periods.

Equity Market Cap Cycle: Rolling Returns Analysis



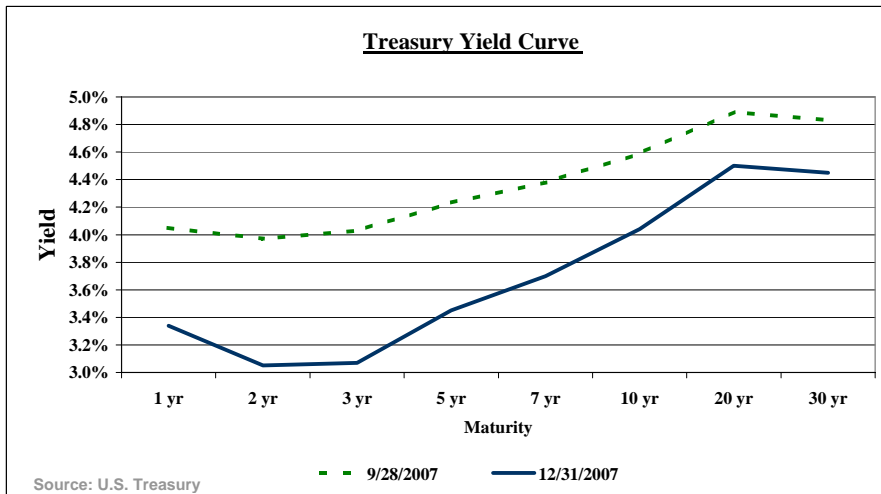
- Index Inception (i.e., January 1979): R1000: **13.2%**; R2000: **12.8%** (+40 bps)
- After outperforming for 7 of the last 8 calendar years, the R1000 outpaced the R2000 for the trailing 1-year (+740 bps) and 3-year (+230 bps) time periods.

Equity Country Cycle: Rolling Returns Analysis

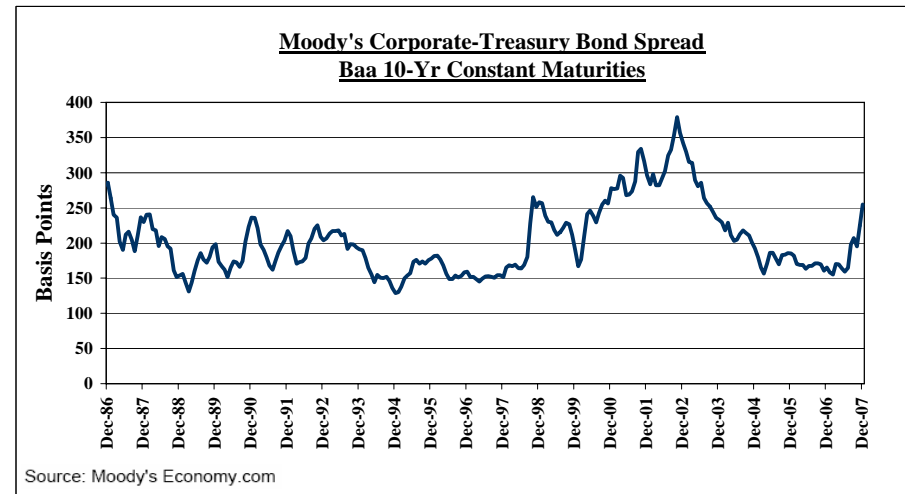


- Index Inception (i.e., January 1979): S&P 500: **13.2%**; EAFE: **11.4%** (+182 bps)
- The EAFE outperformed the S&P 500 in 7 of last 10 calendar years, including the last 6 in a row.

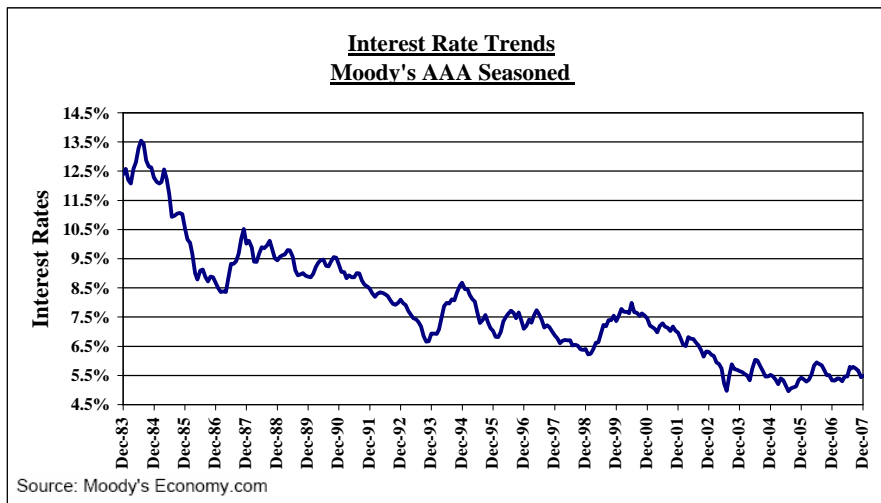
Fixed Income Themes



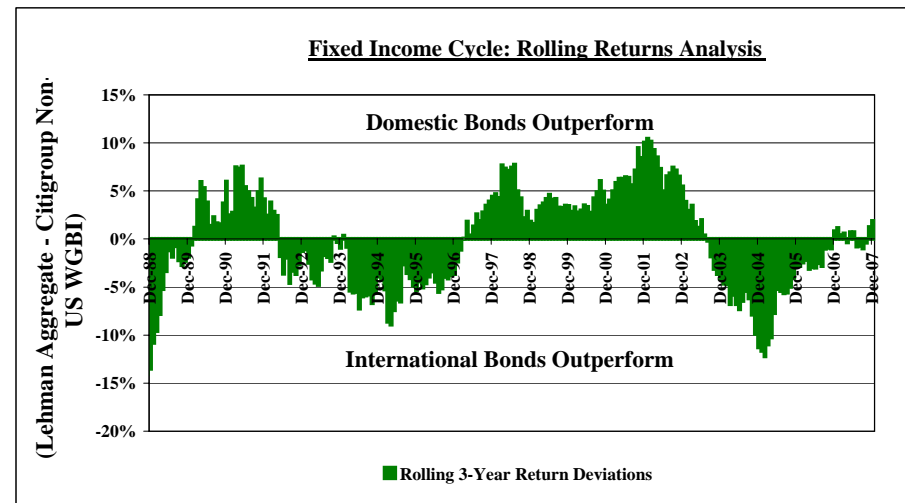
- In response to the tightening in overall credit conditions that threatened economic growth, the Fed cut the Fed Funds rate in 2007 by 100 bps from 5.25% to 4.25% with a 50 bps cut in September and 25 bps cuts in October and December. In the month of December, the 2- and 30-year Treasury finished up 5 bps (3.05%) and up 7 bps (+4.45%), respectively, resulting in spreads widening to +140 bps and a steeper yield curve at the end of December.



- For the second consecutive quarter, credit spreads continued to widen. During Q4, credit spreads widened by 48 bps, returning to levels last seen in 2003.

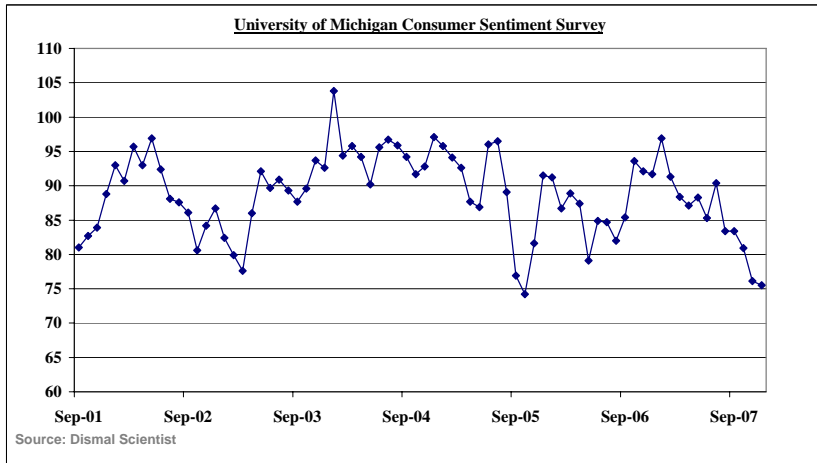


- During Q4, there was a continued flight to quality as investors shied away from high-yield debt.
- Corporate bond yields remain at historically low absolute levels, ending the quarter at 5.49%.
- Due to the recent "mispricing of credit risk", many of the U.S.'s credit rating agencies have downgraded higher rated bonds, including AAA issues, throughout the year. In addition, the rating companies have tightened their criteria for AAA rated bonds.

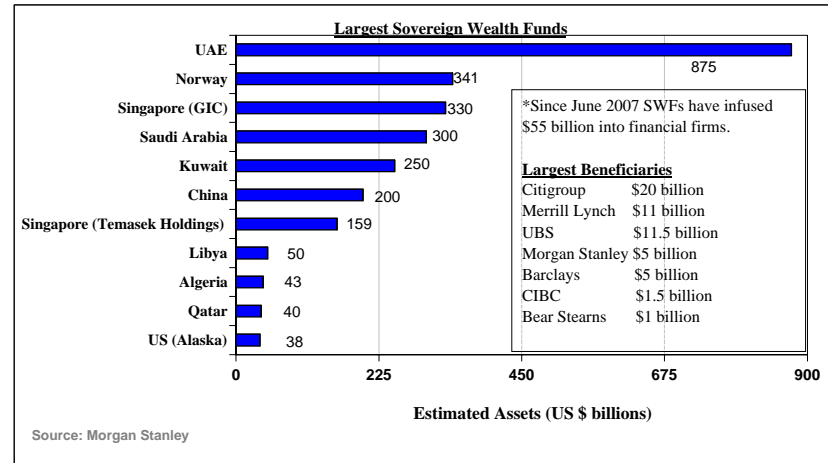


- International bonds outperformed domestic bonds during Q4, pushing international bonds ahead of U.S. bonds for the 1-year (11.5% vs. 7.0%) period. Domestic bonds remained ahead of international bonds (6.0% vs. 3.6%) for the 10-year annualized period.

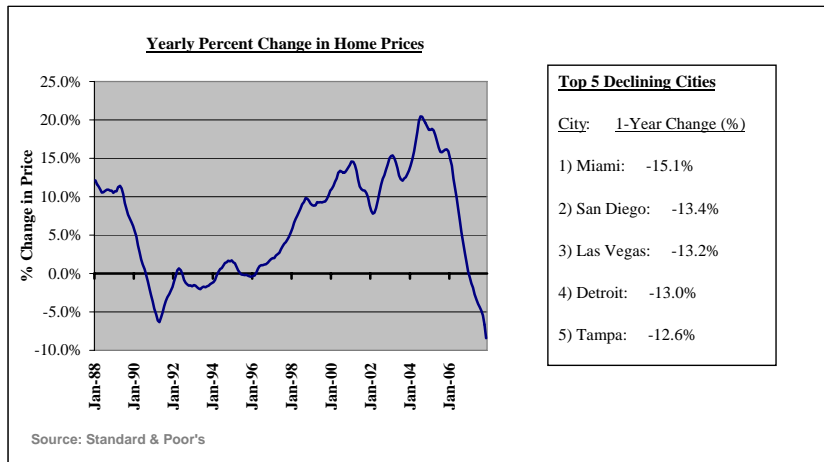
Themes of the Fourth Quarter



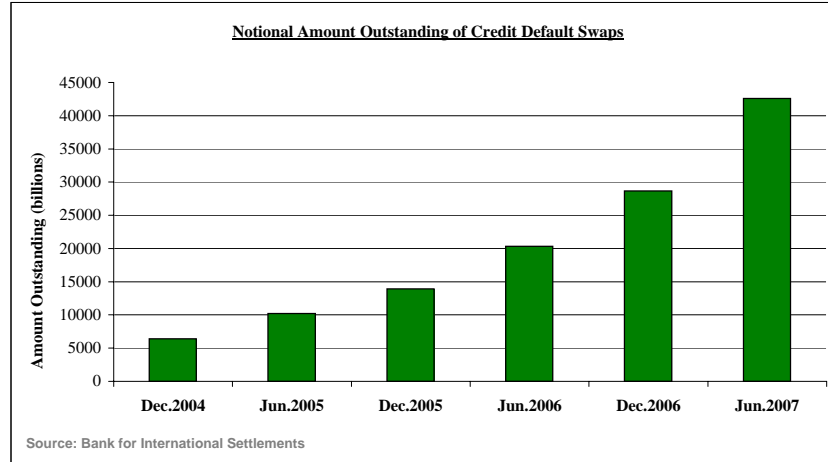
- Consumer sentiment (as measured by the University of Michigan Consumer Sentiment Survey) fell to 75.5 by year end. Since 1993, the index has only been below 80 for seven months.
- The list of issues weighing on consumer confidence includes rising energy costs, a declining stock market, falling home prices and slowing job growth. In general, these issues translate into a deterioration of the overall credit quality of the consumer.



- A major focus throughout Q4 was the influence and buying power of sovereign wealth funds ("SWF"s). Over the past couple of years, accumulated wealth in these funds has escalated and the number of new funds has vastly increased. SWFs are estimated to control \$3.2 trillion in assets and are expected to grow to \$12 trillion by 2015. Capital from SWFs is helping to cushion the blow from the current financial condition on businesses and consumers.



- The chart above depicts the change in annual returns for the S&P/Case-Shiller 10-City Composite Index. The 10-City Composite's annual decline of 8.4% is a record low.
- October's data was the first report of a record decline in more than 16 years, with a decline of 6.7%. The previous largest decline on record was 6.3% recorded in April 1991.
- Miami remains the weakest market, reporting a double-digit annual decline of 15.1%. San Diego, Las Vegas and Detroit followed with declines of 13.4%, 13.2% and 13.0%, respectively.



- Credit default swaps (CDS) are financial instruments designed to transfer the credit exposure of fixed income securities between parties; it works similar to an insurance policy against debt defaults. The credit risk in a CDS is comparable to credit risk in the underlying bonds; however, a material - and often difficult to analyze - concern is the management of counterparty risk.
- With bond values falling and defaults rising, especially in the mortgage arena, there is a concern that some of the institutions involved in these trades may be weakened and their problems could spread to the wider financial system.

Investment Manager Roster

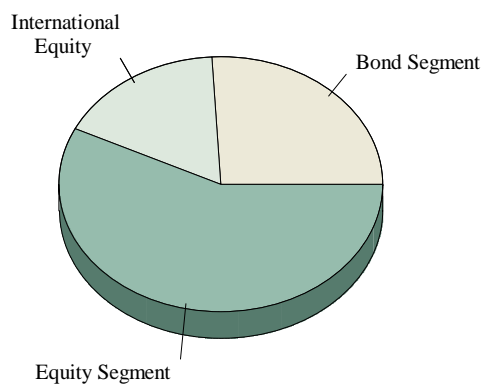
Investment Manager	Mandate	Benchmark	Inception Date
Principal	Large Cap	S&P 500	12/31/1994
Principal	International Core	MSCI Net EAFE	12/31/1994
Principal	Fixed Income Core	Lehman Aggregate Bond Index	12/31/1994

Asset Allocation Policy

Asset Class	Minimum	Target	Maximum
Domestic Equity	45%	50%	55%
International Core	10%	15%	20%
Fixed Income Core	30%	35%	40%

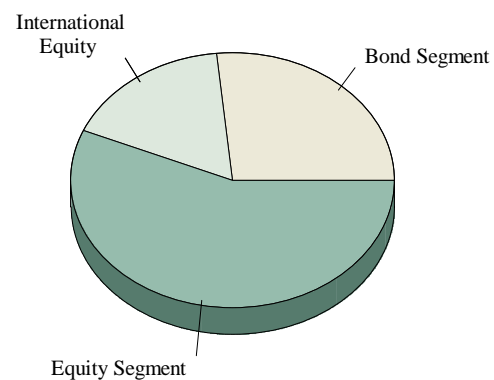
COMPOSITE ASSET ALLOCATION

TOTAL MARKET VALUE
AS OF SEPTEMBER 30, 2007
\$66,444,293



	Value	Percent
Equity Segment	38,007,491	57.20
Bond Segment	17,190,979	25.87
International Equity	11,245,823	16.93

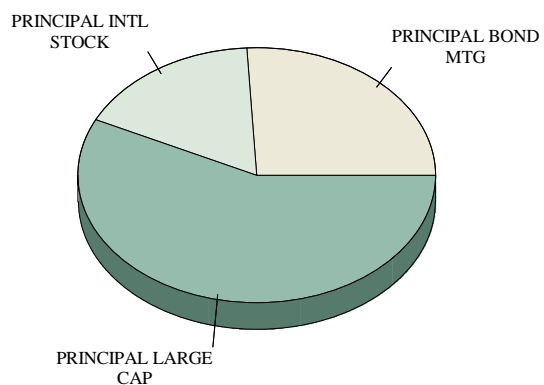
TOTAL MARKET VALUE
AS OF DECEMBER 31, 2007
\$64,380,522



	Value	Percent
Equity Segment	36,319,483	56.41
Bond Segment	17,100,874	26.56
International Equity	10,960,165	17.03

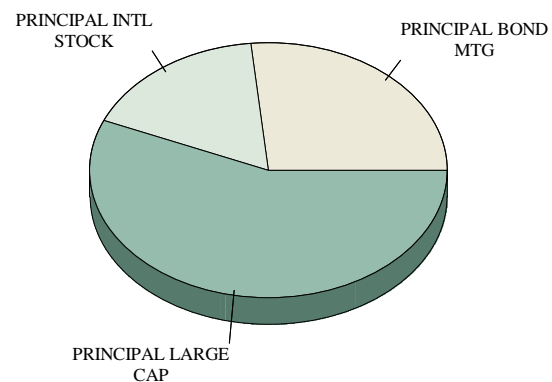
COMPOSITE MANAGER ASSET ALLOCATION

TOTAL MARKET VALUE
ON SEPTEMBER 30, 2007
\$66,444,293



	Value	Percent
PRINCIPAL LARGE CAP	38,007,491	57.20
PRINCIPAL BOND MTG	17,190,979	25.87
PRINCIPAL INTL STOCK	11,245,823	16.93

TOTAL MARKET VALUE
ON DECEMBER 31, 2007
\$64,380,522



	Value	Percent
PRINCIPAL LARGE CAP	36,319,483	56.41
PRINCIPAL BOND MTG	17,100,874	26.56
PRINCIPAL INTL STOCK	10,960,165	17.03

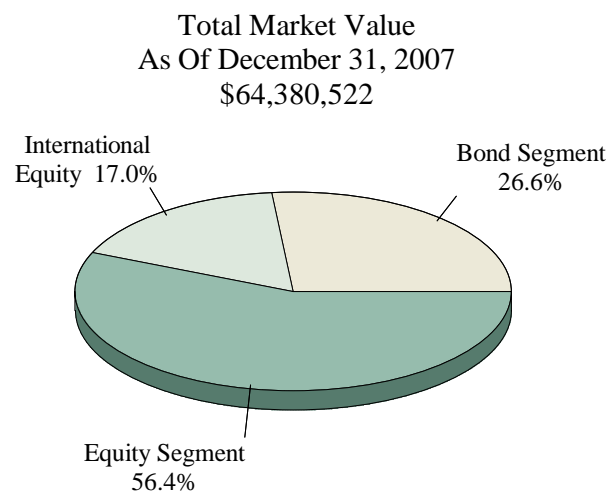
Profile

COMPOSITE	
Benchmark:	POLICY INDEX
Inception Date:	December 31, 2001

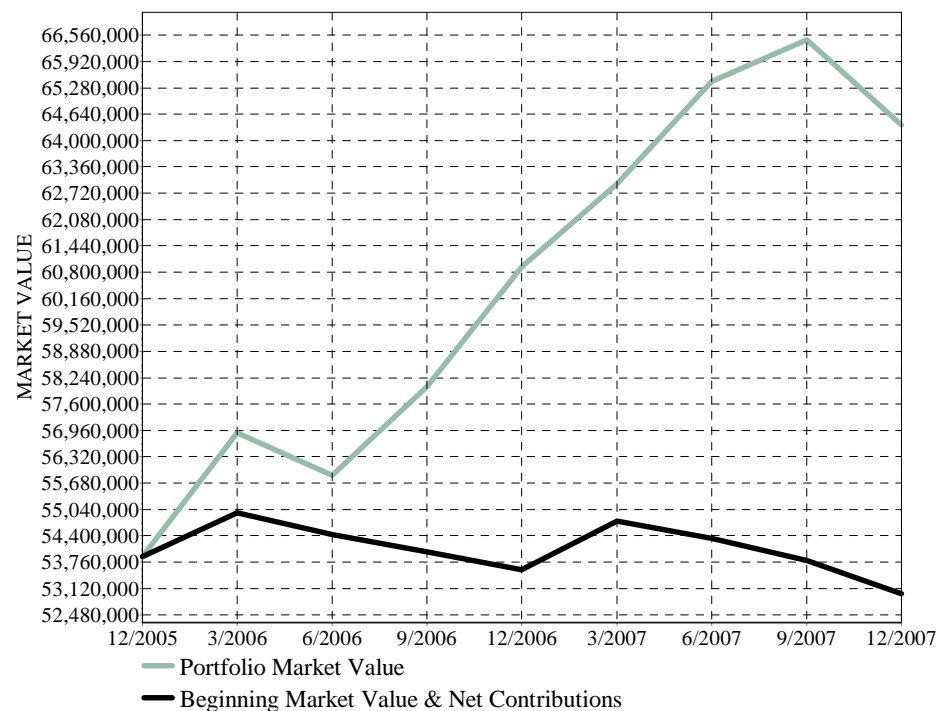
Account Reconciliation

Source	Quarter	Year to Date	12/2005 - 6/2007
Beginning Value	66,444,293	60,929,022	53,896,652
Net Flows	-806,025	-580,112	-904,318
Investment G/L	-1,257,746	4,031,612	11,388,188
Ending Value	64,380,522	64,380,522	64,380,522

Asset Allocation



Source Of Portfolio Growth

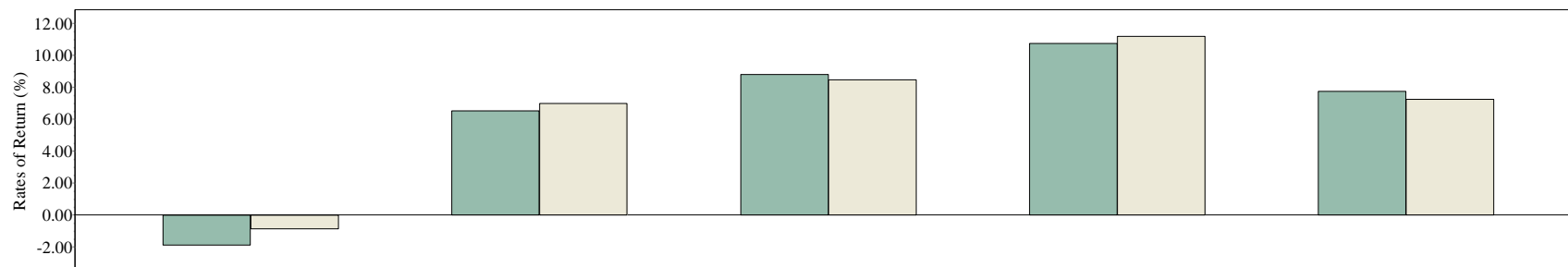


**COMPOSITE
PERFORMANCE SUMMARY**

	Qtr	1 Yr	3 Yr	5 Yr	Incept	Market Value	% of Assets
COMPOSITE	-1.90	6.52	8.82	10.76	7.77	\$64,380,522	
POLICY INDEX	-0.87	6.99	8.48	11.20	7.27		
PRINCIPAL LARGE CAP	-3.43	5.21	8.41	12.66	-	\$36,319,483	56.41%
S&P 500	-3.33	5.49	8.62	12.83	-		
Universe Median	-2.55	6.80	9.64	13.81	-		
Quartile Ranking	66	66	73	74	-		
PRINCIPAL INTL STOCK	-1.49	16.43	23.16	25.24	-	\$10,960,165	17.02%
MSCI NET EAFE	-1.75	11.17	16.83	21.59	-		
Universe Median	-0.87	14.45	19.73	23.99	-		
Quartile Ranking	59	40	28	40	-		
PRINCIPAL BOND MTG	1.20	3.77	3.94	4.63	-	\$17,100,874	26.56%
LB AGGREGATE BOND	3.00	6.96	4.56	4.42	-		
Universe Median	2.72	6.83	4.59	4.50	-		
Quartile Ranking	99	99	97	38	-		

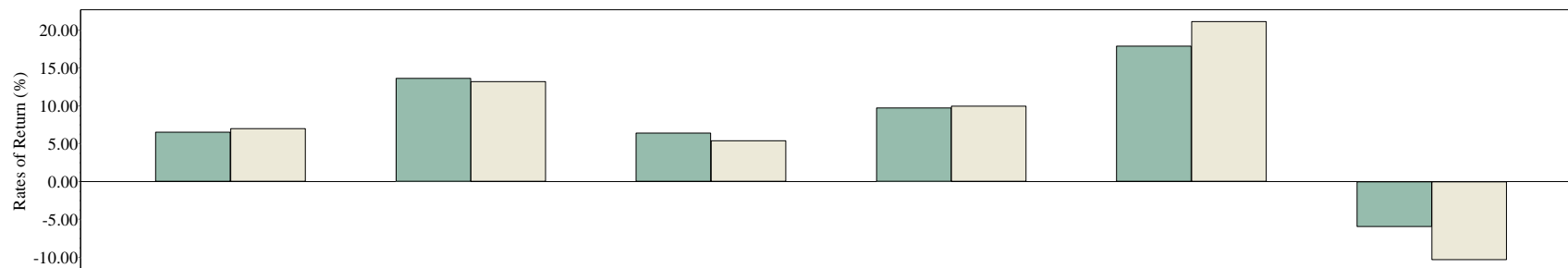
COMPOSITE - TOTAL FUND
12/2001 Through 12/2007

Trailing Returns



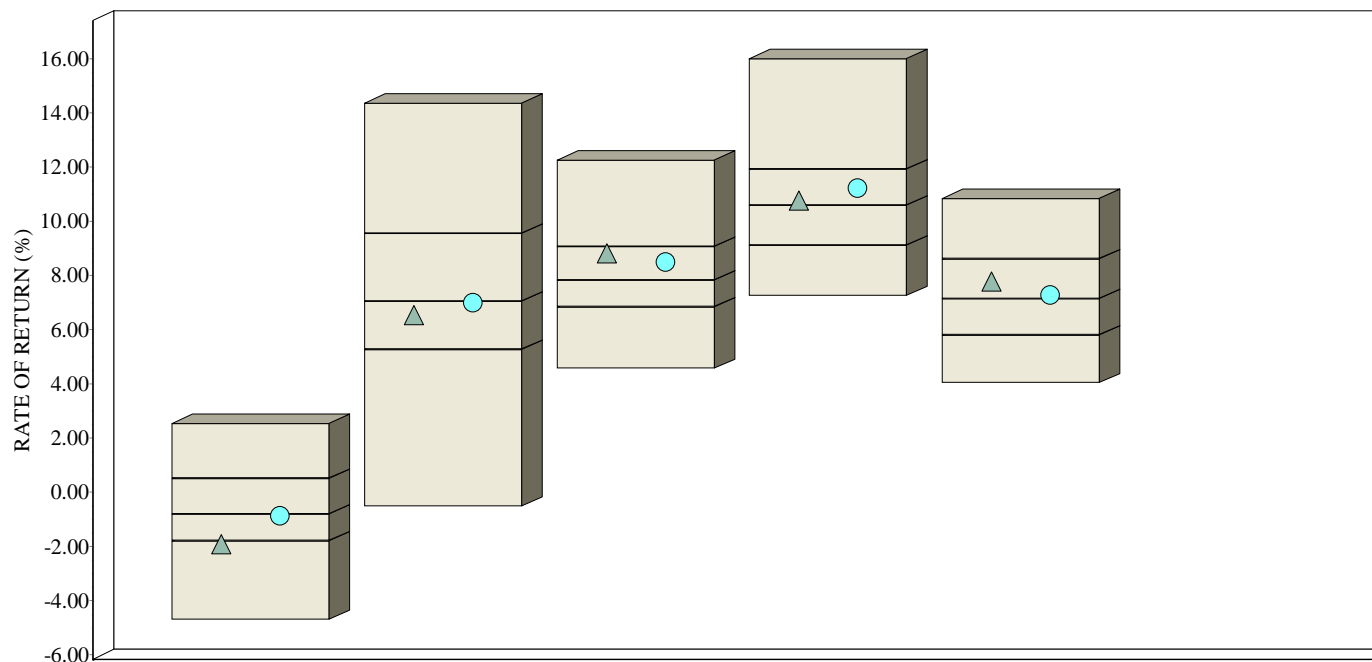
	1 Qtr	1 Yr	3 Yr	5 Yr	Since Inception
TOTAL FUND	-1.90	6.52	8.82	10.76	7.77
POLICY INDEX	-0.87	6.99	8.48	11.20	7.27
Difference	-1.03	-0.47	0.34	-0.44	0.50

Calendar Year Returns



	2007	2006	2005	2004	2003	2002
TOTAL FUND	6.52	13.65	6.43	9.71	17.89	-6.01
POLICY INDEX	6.99	13.20	5.40	9.97	21.12	-10.38
Difference	-0.47	0.45	1.04	-0.26	-3.22	4.37

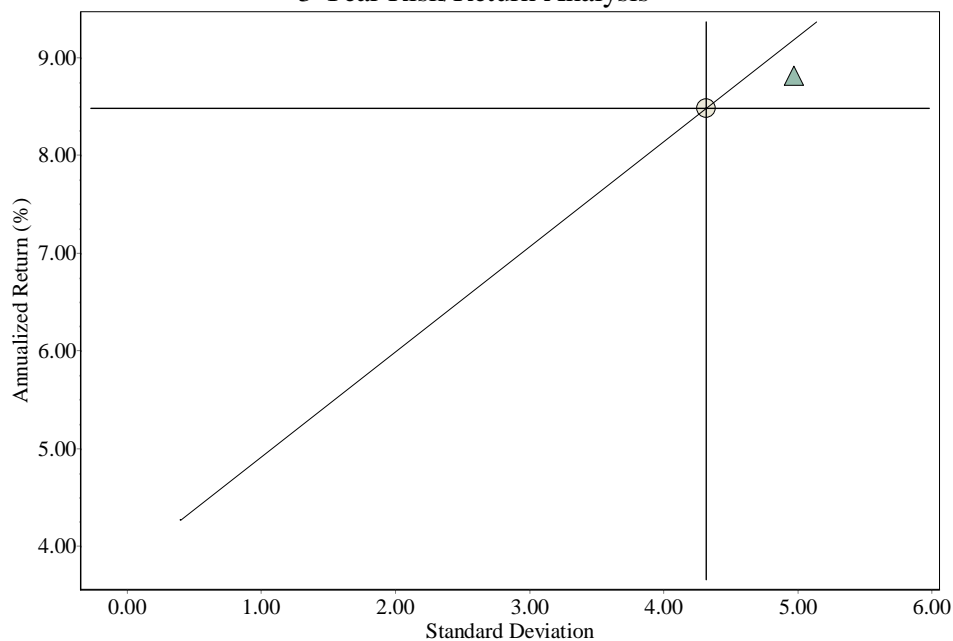
QUARTILE RANKING ANALYSIS TOTAL FUND AGAINST BALANCED MANAGERS



	LATEST QUARTER		ONE YEAR		THREE YEARS		FIVE YEARS		SINCE INCEPTION	
	HIGHEST VALUE	2.54	14.34	12.25	16.00	10.83				
	FIRST QUARTILE	0.50	9.55	9.06	11.93	8.60				
	MEDIAN VALUE	-0.80	7.04	7.83	10.57	7.14				
	THIRD QUARTILE	-1.78	5.28	6.83	9.12	5.80				
	LOWEST VALUE	-4.70	-0.52	4.55	7.24	4.02				
	MEAN	-0.73	7.28	7.99	10.63	7.25				
	LATEST QUARTER		ONE YEAR		THREE YEARS		FIVE YEARS		SINCE INCEPTION	
	RETURN	RANK	RETURN	RANK	RETURN	RANK	RETURN	RANK	RETURN	RANK
▲ COMPOSITE	-1.90	79	6.52	58	8.82	28	10.76	45	7.77	39
● POLICY INDEX	-0.87	53	6.99	50	8.48	34	11.20	38	7.27	49

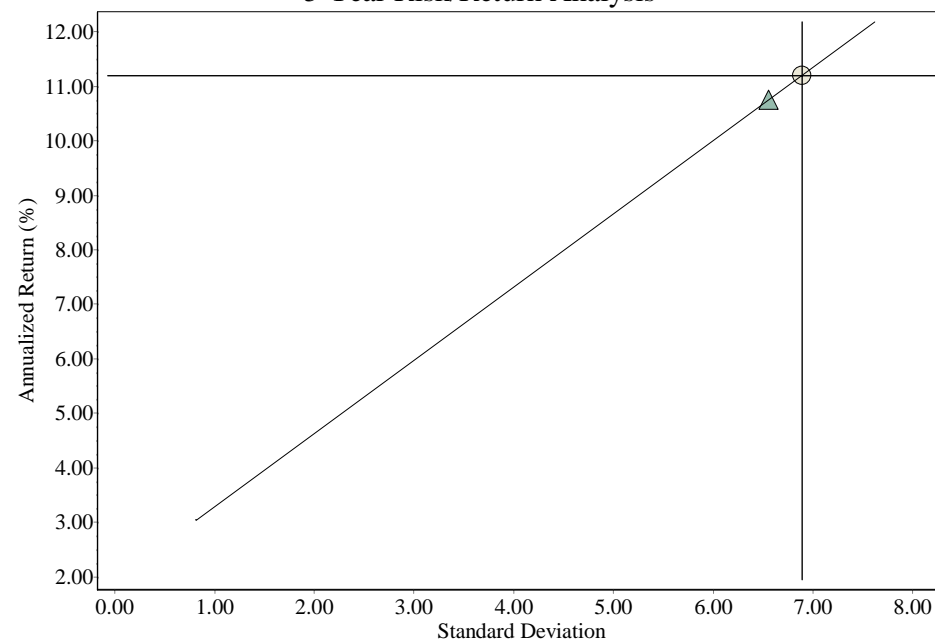
COMPOSITE RETURN VS RISK

3 Year Risk/Return Analysis



	Return	Std Dev	Alpha	Beta	R-Squared
▲ COMPOSITE	8.82	4.97	-0.28	1.15	98.07
○ POLICY INDEX	8.48	4.31	0.00	1.00	100.00

5 Year Risk/Return Analysis



	Return	Std Dev	Alpha	Beta	R-Squared
▲ COMPOSITE	10.76	6.56	0.10	0.93	97.38
○ POLICY INDEX	11.20	6.89	0.00	1.00	100.00

**COMPOSITE
TOTAL FUND MARKET VALUES AND CASH FLOWS**

Period Ending	Beginning Value	Net Flows	Investment Gain/Loss	Ending Value	Return (%)
Mar 2002	N/A	0	0	N/A	0.28
Jun 2002	N/A	0	41,225,900	41,225,900	-3.50
Sep 2002	41,225,900	0	-3,800,429	37,425,471	-7.84
Dec 2002	37,425,471	0	1,808,362	39,233,833	5.39
Mar 2003	39,233,833	0	-185,531	39,048,302	-1.93
Jun 2003	39,048,302	0	3,648,601	42,696,903	10.03
Sep 2003	42,696,903	0	289,805	42,986,708	1.36
Dec 2003	42,986,708	0	3,093,328	46,080,036	7.79
Mar 2004	46,080,036	0	2,258,325	48,338,361	2.56
Jun 2004	48,338,361	0	-352,977	47,985,384	-0.23
Sep 2004	47,985,384	0	-166,674	47,818,710	0.45
Dec 2004	47,818,710	0	3,057,601	50,876,311	6.74
Mar 2005	50,876,311	0	487,401	51,363,712	-1.31
Jun 2005	51,363,712	0	443,603	51,807,315	1.99
Sep 2005	51,807,315	0	1,424,511	53,231,826	3.53
Dec 2005	53,231,826	-398,198	1,063,024	53,896,652	2.14
Mar 2006	53,896,652	1,065,642	1,939,241	56,901,535	3.59
Jun 2006	56,901,535	-531,862	-499,858	55,869,815	-0.88
Sep 2006	55,869,815	-424,358	2,576,336	58,021,793	4.64
Dec 2006	58,021,793	-433,628	3,340,857	60,929,022	5.79
Mar 2007	60,929,022	1,188,243	828,248	62,945,513	1.36
Jun 2007	62,945,513	-424,423	2,911,209	65,432,299	4.65
Sep 2007	65,432,299	-537,907	1,549,901	66,444,293	2.38
Dec 2007	66,444,293	-806,025	-1,257,746	64,380,522	-1.90

**COMPOSITE
QUARTERLY ASSET ALLOCATION (%)**

	BOND	EQUITY	INTERNATIONAL EQUITY
Period Ending	Actual Weight	Actual Weight	Actual Weight
03/31/2007	28.39	55.90	15.71
06/30/2007	26.29	57.23	16.48
09/30/2007	25.87	57.20	16.93
12/31/2007	26.56	56.41	17.02

Profile

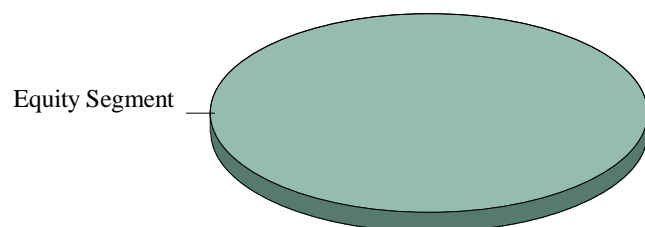
PRINCIPAL LARGE CAP STOCK INDEX	
Style:	Large Cap
Benchmark:	S&P 500
Universe:	Large Cap Managers
Inception Date:	December 31, 1994

Account Reconciliation

Source	Quarter	Year to Date	12/2005 - 6/2007
Beginning Value	38,007,491	34,083,384	28,505,988
Net Flows	-392,832	407,138	1,472,688
Investment G/L	-1,295,176	1,828,961	6,340,807
Ending Value	36,319,483	36,319,483	36,319,483

Asset Allocation

Total Market Value
As Of December 31, 2007
\$36,319,483



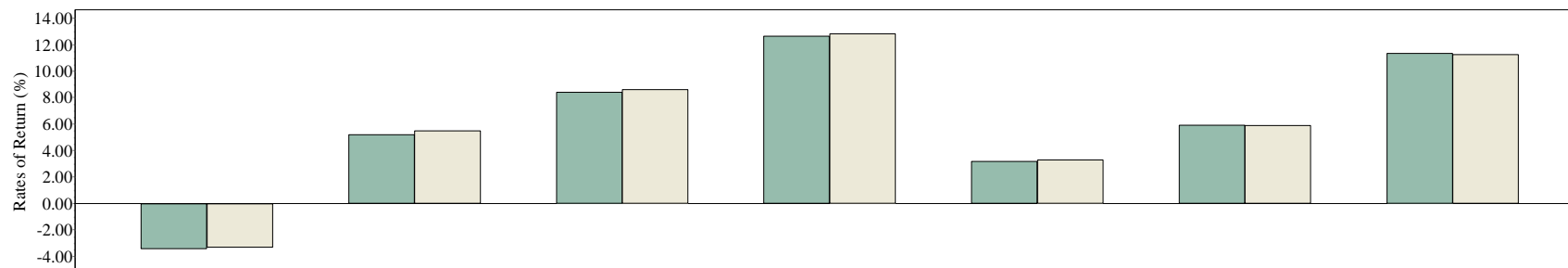
S&P 500: 100% S&P 500

Source Of Portfolio Growth



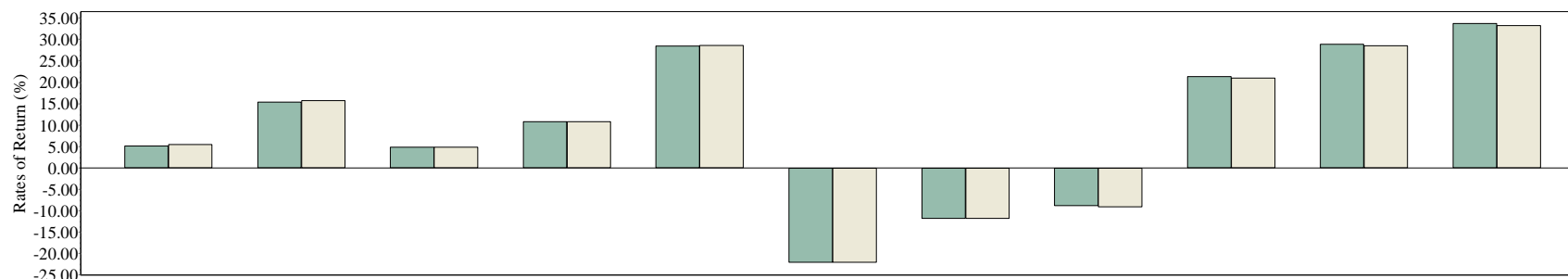
PRINCIPAL LARGE CAP STOCK INDEX - TOTAL FUND 12/1994 Through 12/2007

Trailing Returns



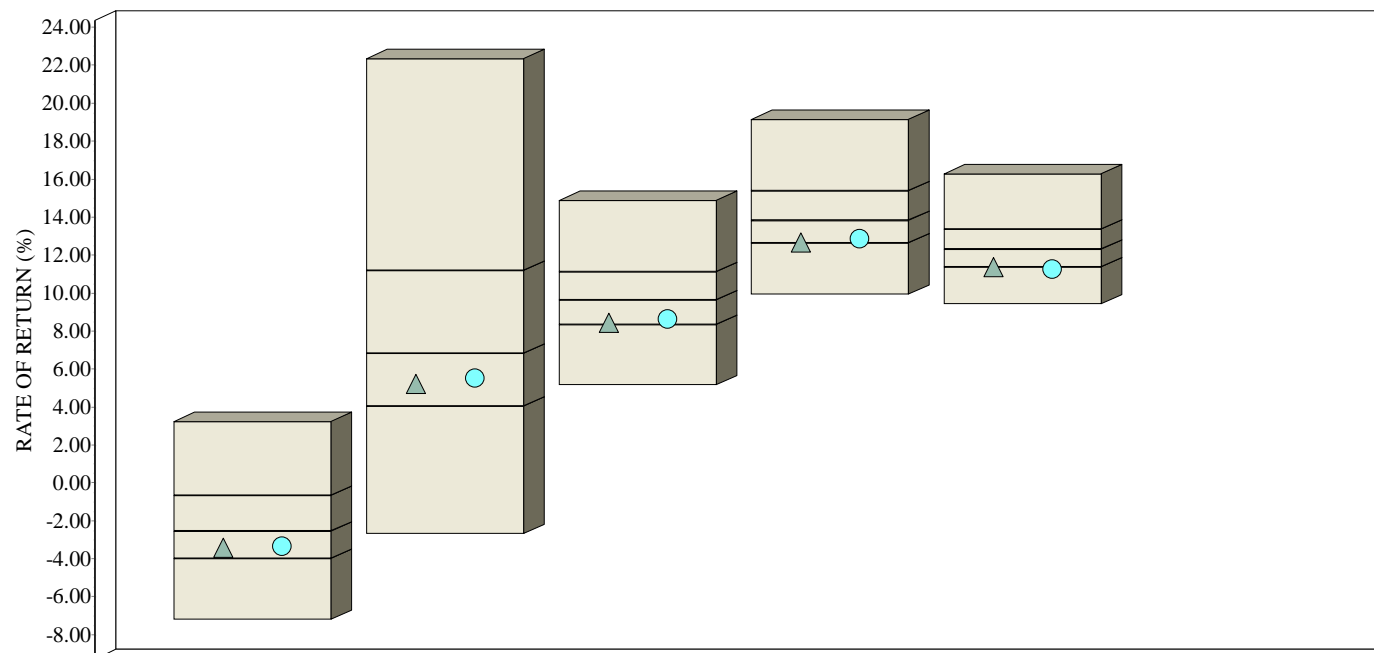
	1 Qtr	1 Yr	3 Yr	5 Yr	7 Yr	10 Yr	Since Inception
TOTAL FUND	-3.43	5.21	8.41	12.66	3.18	5.92	11.35
S&P 500	-3.33	5.49	8.62	12.83	3.30	5.91	11.26
Difference	-0.09	-0.29	-0.20	-0.16	-0.11	0.01	0.08

Calendar Year Returns



	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
TOTAL FUND	5.21	15.44	4.92	10.83	28.53	-22.12	-11.90	-8.83	21.41	28.98	33.74
S&P 500	5.49	15.80	4.90	10.87	28.69	-22.11	-11.88	-9.11	21.04	28.58	33.36
Difference	-0.29	-0.36	0.02	-0.04	-0.17	-0.01	-0.02	0.27	0.37	0.39	0.38

QUARTILE RANKING ANALYSIS TOTAL FUND AGAINST LARGE CAP MANAGERS

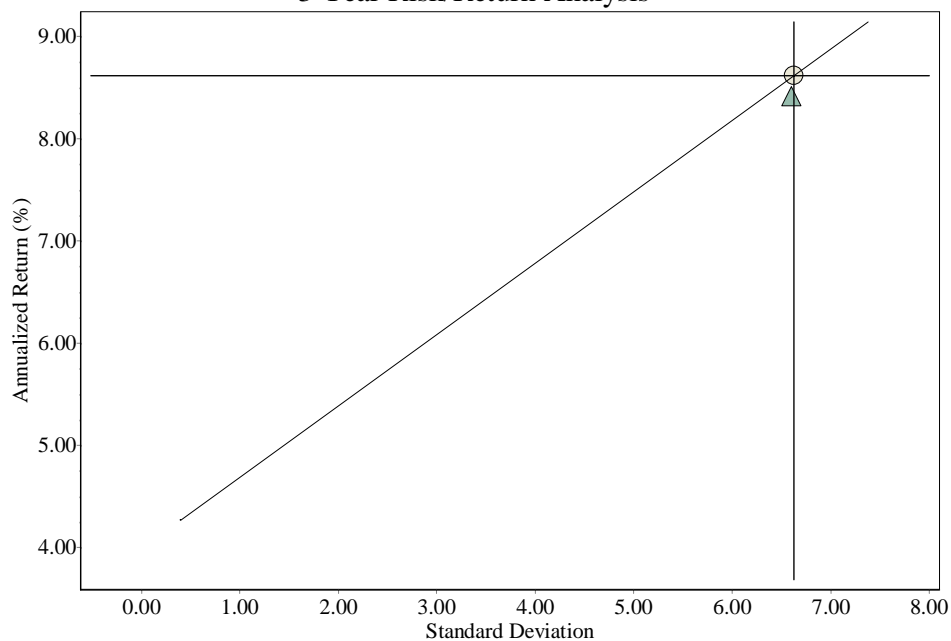


	LATEST QUARTER		ONE YEAR		THREE YEARS		FIVE YEARS		SINCE INCEPTION	
HIGHEST VALUE		3.24		22.35		14.88		19.12		16.28
FIRST QUARTILE		-0.69		11.18		11.11		15.36		13.33
MEDIAN VALUE		-2.55		6.80		9.64		13.81		12.28
THIRD QUARTILE		-3.99		4.01		8.32		12.62		11.36
LOWEST VALUE		-7.22		-2.70		5.15		9.90		9.41
MEAN		-2.33		7.79		9.77		14.01		12.42

	LATEST QUARTER		ONE YEAR		THREE YEARS		FIVE YEARS		SINCE INCEPTION	
	RETURN	RANK	RETURN	RANK	RETURN	RANK	RETURN	RANK	RETURN	RANK
▲ PRINCIPAL LARGE CAP	-3.43	66	5.21	66	8.41	73	12.66	74	11.35	75
● S&P 500	-3.33	64	5.49	64	8.62	71	12.83	70	11.26	79

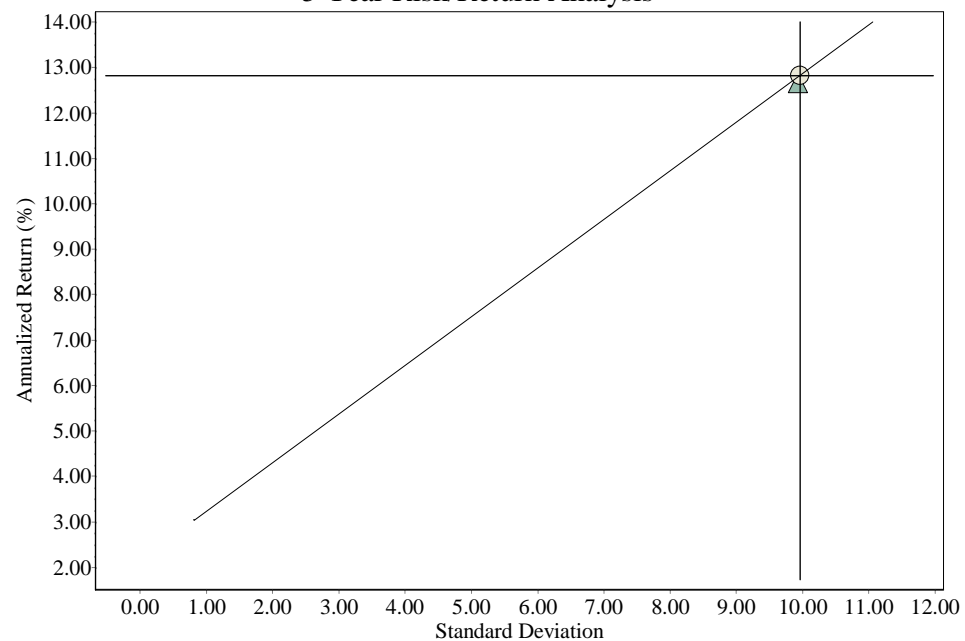
PRINCIPAL LARGE CAP STOCK INDEX RETURN VS RISK

3 Year Risk/Return Analysis



	Return	Std Dev	Alpha	Beta	R-Squared
PRINCIPAL LARGE CAP	8.41	6.60	-0.17	1.00	99.98
S&P 500	8.62	6.63	0.00	1.00	100.00

5 Year Risk/Return Analysis



	Return	Std Dev	Alpha	Beta	R-Squared
PRINCIPAL LARGE CAP	12.66	9.93	-0.13	1.00	99.99
S&P 500	12.83	9.96	0.00	1.00	100.00

**PRINCIPAL LARGE CAP STOCK INDEX
 TOTAL FUND MARKET VALUES AND CASH FLOWS**

Period Ending	Beginning Value	Net Flows	Investment Gain/Loss	Ending Value	Return (%)
Mar 1995	N/A	0	0	N/A	9.80
Jun 1995	N/A	0	0	N/A	9.62
Sep 1995	N/A	0	0	N/A	8.01
Dec 1995	N/A	0	0	N/A	6.11
Mar 1996	N/A	0	0	N/A	5.40
Jun 1996	N/A	0	0	N/A	4.58
Sep 1996	N/A	0	0	N/A	3.17
Dec 1996	N/A	0	0	N/A	8.42
Mar 1997	N/A	0	0	N/A	2.77
Jun 1997	N/A	0	0	N/A	17.49
Sep 1997	N/A	0	0	N/A	7.58
Dec 1997	N/A	0	0	N/A	2.96
Mar 1998	N/A	0	0	N/A	14.01
Jun 1998	N/A	0	0	N/A	3.37
Sep 1998	N/A	0	0	N/A	-9.83
Dec 1998	N/A	0	0	N/A	21.37
Mar 1999	N/A	0	0	N/A	5.04
Jun 1999	N/A	0	0	N/A	7.12
Sep 1999	N/A	0	0	N/A	-6.15
Dec 1999	N/A	0	0	N/A	14.97
Mar 2000	N/A	0	0	N/A	2.34
Jun 2000	N/A	0	0	N/A	-2.58
Sep 2000	N/A	0	0	N/A	-0.92
Dec 2000	N/A	0	0	N/A	-7.71
Mar 2001	N/A	0	0	N/A	-11.90
Jun 2001	N/A	0	0	N/A	5.73
Sep 2001	N/A	0	0	N/A	-14.59
Dec 2001	N/A	0	0	N/A	10.74

**PRINCIPAL LARGE CAP STOCK INDEX
TOTAL FUND MARKET VALUES AND CASH FLOWS**

Period Ending	Beginning Value	Net Flows	Investment Gain/Loss	Ending Value	Return (%)
Mar 2002	N/A	0	0	N/A	0.25
Jun 2002	N/A	0	17,215,641	17,215,641	-13.39
Sep 2002	17,215,641	0	-2,935,912	14,279,729	-17.27
Dec 2002	14,279,729	0	1,282,740	15,562,469	8.42
Mar 2003	15,562,469	0	451,032	16,013,501	-3.16
Jun 2003	16,013,501	0	3,236,286	19,249,787	15.36
Sep 2003	19,249,787	0	551,812	19,801,599	2.63
Dec 2003	19,801,599	0	2,464,558	22,266,157	12.10
Mar 2004	22,266,157	0	1,625,488	23,891,645	1.67
Jun 2004	23,891,645	0	482,564	24,374,209	1.72
Sep 2004	24,374,209	0	-410,246	23,963,963	-1.87
Dec 2004	23,963,963	0	2,293,569	26,257,532	9.21
Mar 2005	26,257,532	0	162,832	26,420,364	-2.12
Jun 2005	26,420,364	84,114	341,273	26,845,751	1.37
Sep 2005	26,845,751	85,603	943,077	27,874,431	3.59
Dec 2005	27,874,431	74,278	557,279	28,505,988	2.08
Mar 2006	28,505,988	820,773	1,174,698	30,501,459	4.11
Jun 2006	30,501,459	73,642	-458,574	30,116,527	-1.50
Sep 2006	30,116,527	86,022	1,688,372	31,890,921	5.60
Dec 2006	31,890,921	85,113	2,107,350	34,083,384	6.60
Mar 2007	34,083,384	892,278	208,451	35,184,113	0.61
Jun 2007	35,184,113	77,971	2,183,321	37,445,405	6.20
Sep 2007	37,445,405	-170,279	732,365	38,007,491	1.96
Dec 2007	38,007,491	-392,832	-1,295,176	36,319,483	-3.43

**PRINCIPAL LARGE CAP STOCK INDEX
 QUARTERLY ASSET ALLOCATION (%)**

EQUITY

Period Ending	Actual Weight
03/31/2006	100.00
06/30/2006	100.00
09/30/2006	100.00
12/31/2006	100.00
03/31/2007	100.00
06/30/2007	100.00

Profile

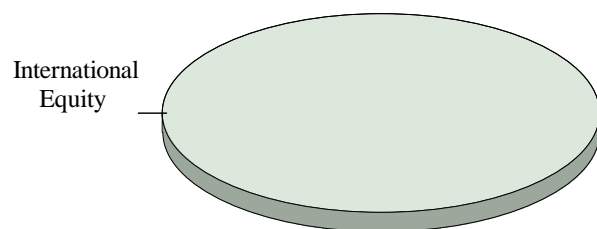
PRINCIPAL INTERNATIONAL STOCK	
Style:	Foreign Equity
Benchmark:	MSCI NET EAFE
Universe:	Foreign Equity Managers
Inception Date:	December 31, 1994

Account Reconciliation

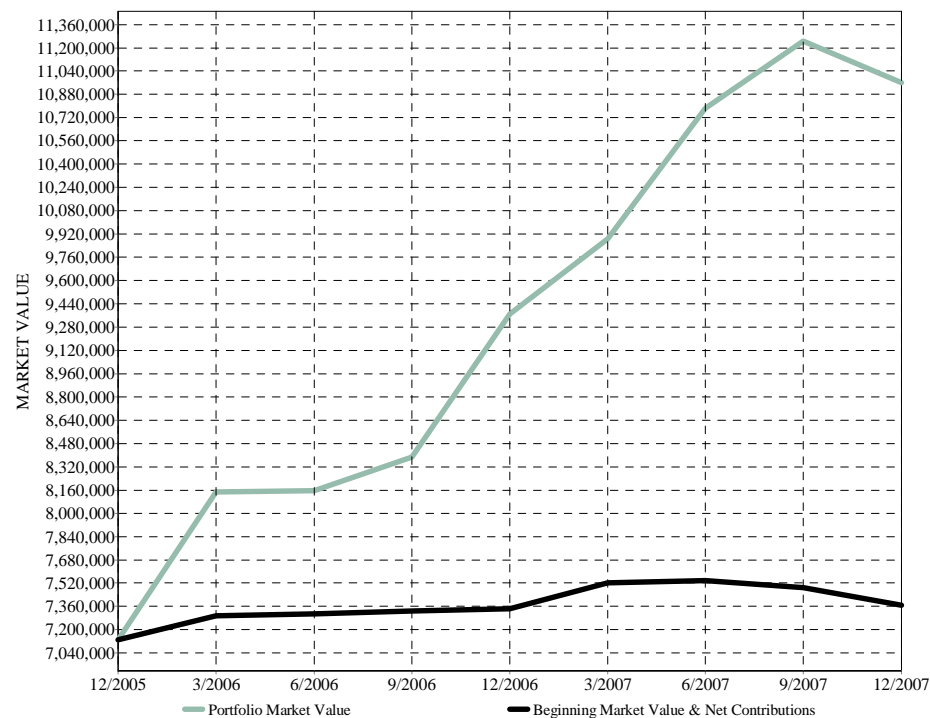
Source	Quarter	Year to Date	12/2005 - 6/2007
Beginning Value	11,245,823	9,370,346	7,130,692
Net Flows	-119,172	23,792	236,904
Investment G/L	-166,486	1,566,027	3,592,569
Ending Value	10,960,165	10,960,165	10,960,165

Asset Allocation

Total Market Value
As Of December 31, 2007
\$10,960,165



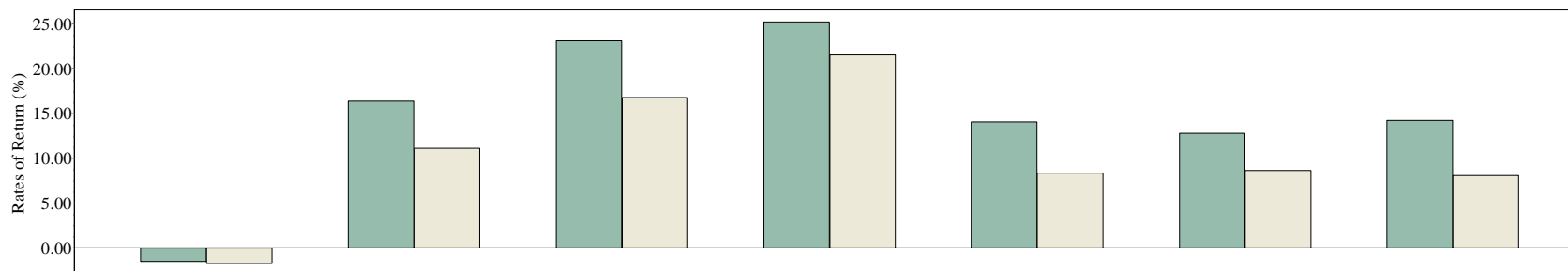
Source Of Portfolio Growth



PRINCIPAL INTERNATIONAL STOCK - TOTAL FUND

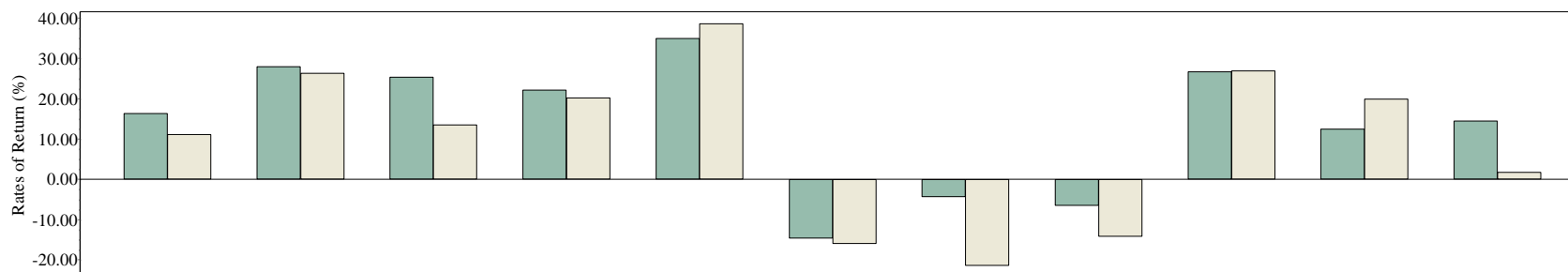
12/1994 Through 12/2007

Trailing Returns



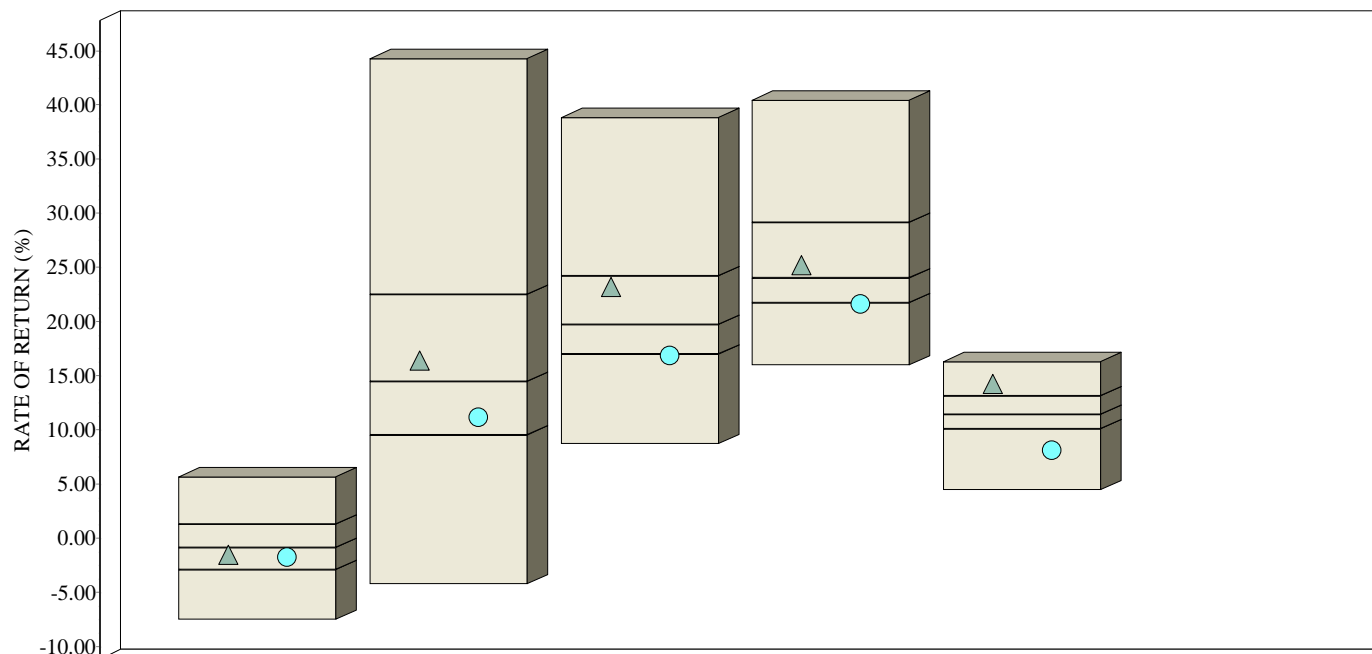
	1 Qtr	1 Yr	3 Yr	5 Yr	7 Yr	10 Yr	Since Inception
TOTAL FUND	-1.49	16.43	23.16	25.24	14.09	12.87	14.27
MSCI NET EAFE	-1.75	11.17	16.83	21.59	8.37	8.66	8.11
Difference	0.26	5.26	6.33	3.65	5.72	4.21	6.16

Calendar Year Returns



	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
TOTAL FUND	16.43	27.96	25.37	22.19	34.99	-14.65	-4.33	-6.45	26.78	12.46	14.49
MSCI NET EAFE	11.17	26.34	13.54	20.24	38.60	-15.94	-21.44	-14.16	26.97	19.99	1.77
Difference	5.26	1.62	11.84	1.95	-3.61	1.29	17.10	7.71	-0.20	-7.53	12.72

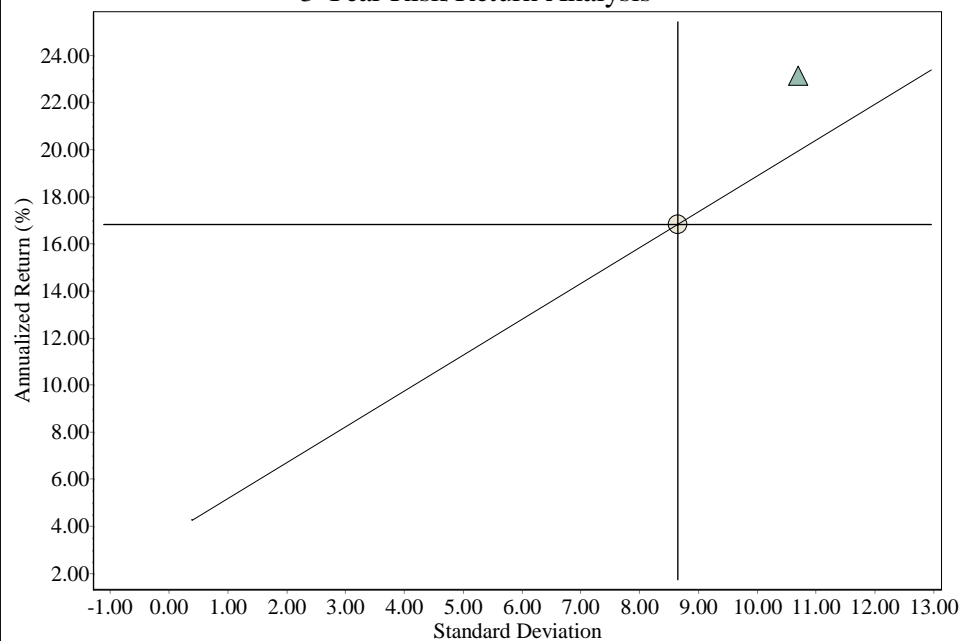
QUARTILE RANKING ANALYSIS TOTAL FUND AGAINST FOREIGN EQUITY MANAGERS



	LATEST QUARTER		ONE YEAR		THREE YEARS		FIVE YEARS		SINCE INCEPTION	
HIGHEST VALUE		5.67		44.28		38.80		40.39		16.31
FIRST QUARTILE		1.26		22.46		24.20		29.17		13.11
MEDIAN VALUE		-0.87		14.45		19.73		23.99		11.39
THIRD QUARTILE		-2.92		9.53		16.96		21.71		10.09
LOWEST VALUE		-7.53		-4.23		8.66		15.96		4.43
MEAN		-0.85		17.09		21.53		25.98		11.54
	LATEST QUARTER		ONE YEAR		THREE YEARS		FIVE YEARS		SINCE INCEPTION	
	RETURN	RANK	RETURN	RANK	RETURN	RANK	RETURN	RANK	RETURN	RANK
▲ PRINCIPAL INTL STOCK	-1.49	59	16.43	40	23.16	28	25.24	40	14.27	12
● MSCI NET EAFE	-1.75	62	11.17	65	16.83	75	21.59	76	8.11	94

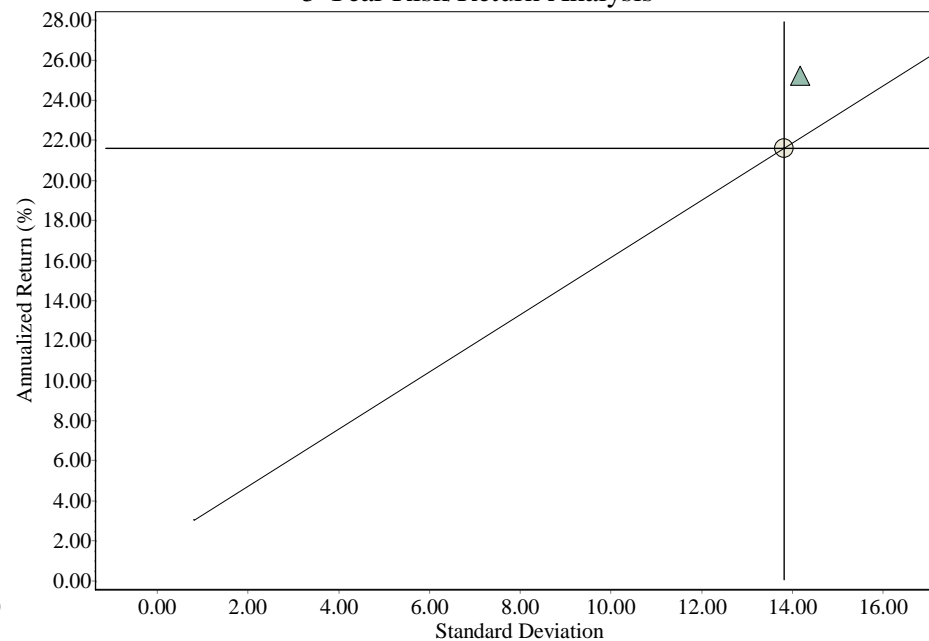
PRINCIPAL INTERNATIONAL STOCK RETURN VS RISK

3 Year Risk/Return Analysis



	Return	Std Dev	Alpha	Beta	R-Squared
▲ PRINCIPAL INTL STOCK	23.16	10.69	3.36	1.19	91.07
○ MSCI NET EAFE	16.83	8.65	0.00	1.00	100.00

5 Year Risk/Return Analysis



	Return	Std Dev	Alpha	Beta	R-Squared
▲ PRINCIPAL INTL STOCK	25.24	14.17	3.39	0.99	93.58
○ MSCI NET EAFE	21.59	13.82	0.00	1.00	100.00

**PRINCIPAL INTERNATIONAL STOCK
 TOTAL FUND MARKET VALUES AND CASH FLOWS**

Period Ending	Beginning Value	Net Flows	Investment Gain/Loss	Ending Value	Return (%)
Mar 1995	N/A	0	0	N/A	-0.66
Jun 1995	N/A	0	0	N/A	9.50
Sep 1995	N/A	0	0	N/A	5.14
Dec 1995	N/A	0	0	N/A	1.88
Mar 1996	N/A	0	0	N/A	8.60
Jun 1996	N/A	0	0	N/A	4.19
Sep 1996	N/A	0	0	N/A	3.20
Dec 1996	N/A	0	0	N/A	8.40
Mar 1997	N/A	0	0	N/A	3.66
Jun 1997	N/A	0	0	N/A	10.83
Sep 1997	N/A	0	0	N/A	5.70
Dec 1997	N/A	0	0	N/A	-5.72
Mar 1998	N/A	0	0	N/A	15.53
Jun 1998	N/A	0	0	N/A	-0.26
Sep 1998	N/A	0	0	N/A	-17.09
Dec 1998	N/A	0	0	N/A	17.71
Mar 1999	N/A	0	0	N/A	3.22
Jun 1999	N/A	0	0	N/A	2.95
Sep 1999	N/A	0	0	N/A	2.66
Dec 1999	N/A	0	0	N/A	16.21
Mar 2000	N/A	0	0	N/A	3.60
Jun 2000	N/A	0	0	N/A	-1.33
Sep 2000	N/A	0	0	N/A	-9.24
Dec 2000	N/A	0	0	N/A	0.83
Mar 2001	N/A	0	0	N/A	3.60
Jun 2001	N/A	0	0	N/A	-0.75
Sep 2001	N/A	0	0	N/A	-15.01
Dec 2001	N/A	0	0	N/A	9.47

**PRINCIPAL INTERNATIONAL STOCK
TOTAL FUND MARKET VALUES AND CASH FLOWS**

Period Ending	Beginning Value	Net Flows	Investment Gain/Loss	Ending Value	Return (%)
Mar 2002	N/A	0	0	N/A	-0.48
Jun 2002	N/A	0	3,793,548	3,793,548	-1.43
Sep 2002	3,793,548	0	-691,999	3,101,549	-18.28
Dec 2002	3,101,549	0	213,601	3,315,150	6.47
Mar 2003	3,315,150	0	-257,809	3,057,341	-7.88
Jun 2003	3,057,341	0	554,222	3,611,563	17.86
Sep 2003	3,611,563	0	207,171	3,818,734	5.62
Dec 2003	3,818,734	0	685,629	4,504,363	17.72
Mar 2004	4,504,363	0	219,287	4,723,650	4.24
Jun 2004	4,723,650	0	-30,296	4,693,354	-0.77
Sep 2004	4,693,354	0	89,461	4,782,815	1.89
Dec 2004	4,782,815	0	771,942	5,554,757	15.94
Mar 2005	5,554,757	0	180,760	5,735,517	0.90
Jun 2005	5,735,517	16,823	78,107	5,830,447	1.62
Sep 2005	5,830,447	17,120	880,512	6,728,079	15.34
Dec 2005	6,728,079	14,856	387,757	7,130,692	6.01
Mar 2006	7,130,692	164,155	852,303	8,147,150	11.91
Jun 2006	8,147,150	14,729	-6,802	8,155,077	-0.08
Sep 2006	8,155,077	17,204	214,408	8,386,689	2.63
Dec 2006	8,386,689	17,024	966,633	9,370,346	11.51
Mar 2007	9,370,346	178,455	339,805	9,888,606	3.61
Jun 2007	9,888,606	15,594	878,881	10,783,081	8.88
Sep 2007	10,783,081	-51,085	513,827	11,245,823	4.77
Dec 2007	11,245,823	-119,172	-166,486	10,960,165	-1.49

**PRINCIPAL INTERNATIONAL STOCK
QUARTERLY ASSET ALLOCATION (%)**

INTERNATIONAL EQUITY

Period Ending	Actual Weight
03/31/2006	100.00
06/30/2006	100.00
09/30/2006	100.00
12/31/2006	100.00
03/31/2007	100.00
06/30/2007	100.00

Profile

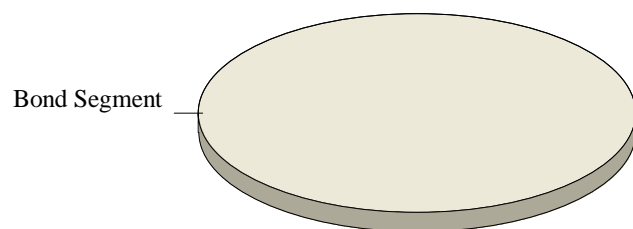
PRINCIPAL BOND AND MORTGAGE	
Style:	Core Fixed Income
Benchmark:	LB AGGREGATE BOND
Universe:	Core Fixed Income
Inception Date:	December 31, 1994

Account Reconciliation

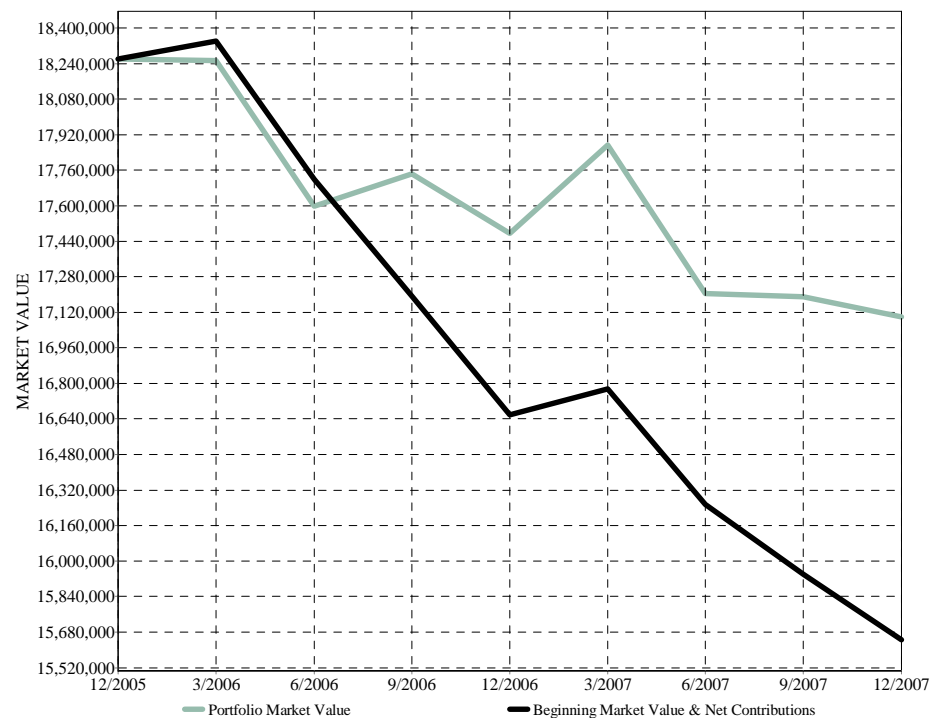
Source	Quarter	Year to Date	12/2005 - 6/2007
Beginning Value	17,190,979	17,475,292	18,259,972
Net Flows	-294,021	-1,011,042	-2,613,910
Investment G/L	203,916	636,624	1,454,812
Ending Value	17,100,874	17,100,874	17,100,874

Asset Allocation

Total Market Value
As Of December 31, 2007
\$17,100,874



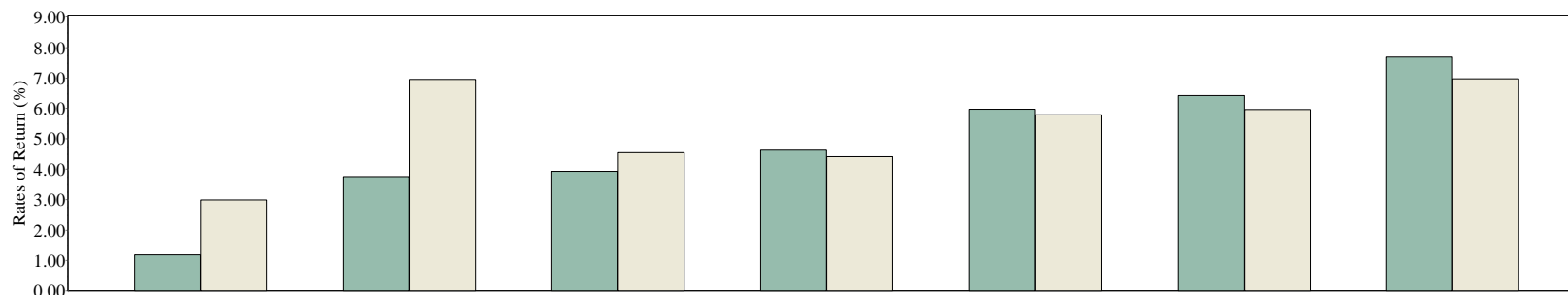
Source Of Portfolio Growth



PRINCIPAL BOND AND MORTGAGE - TOTAL FUND

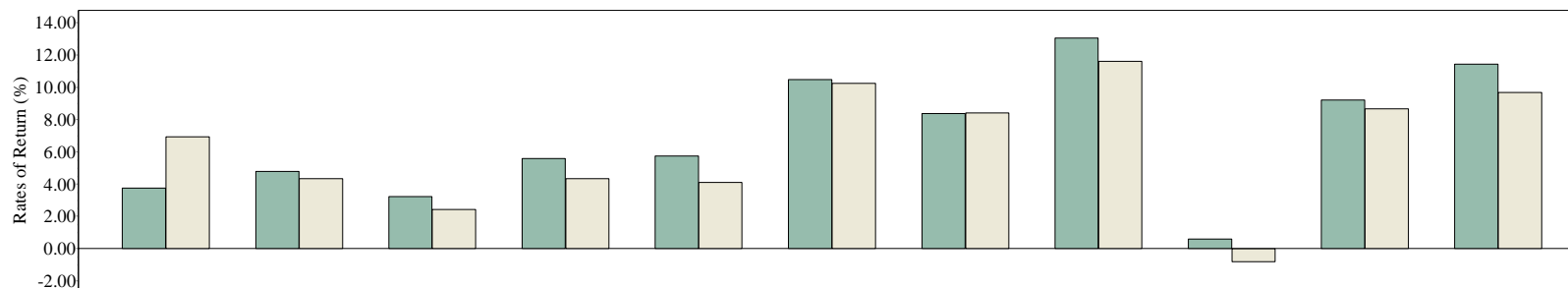
12/1994 Through 12/2007

Trailing Returns



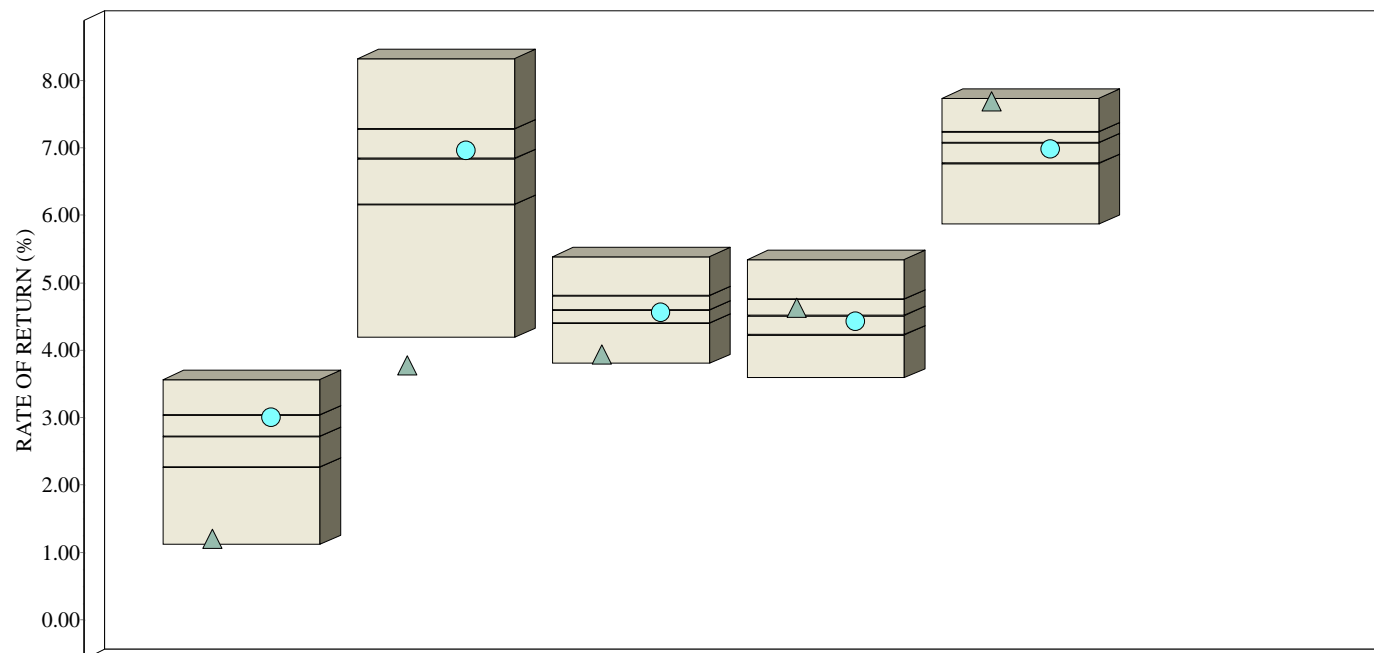
	1 Qtr	1 Yr	3 Yr	5 Yr	7 Yr	10 Yr	Since Inception
TOTAL FUND	1.20	3.77	3.94	4.63	5.98	6.44	7.69
LB AGGREGATE BOND	3.00	6.96	4.56	4.42	5.81	5.97	6.98
Difference	-1.81	-3.19	-0.62	0.21	0.18	0.47	0.70

Calendar Year Returns



	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
TOTAL FUND	3.77	4.79	3.24	5.60	5.76	10.50	8.39	13.09	0.60	9.23	11.44
LB AGGREGATE BOND	6.96	4.33	2.43	4.34	4.11	10.27	8.42	11.63	-0.83	8.67	9.68
Difference	-3.19	0.46	0.81	1.26	1.65	0.23	-0.04	1.46	1.43	0.55	1.76

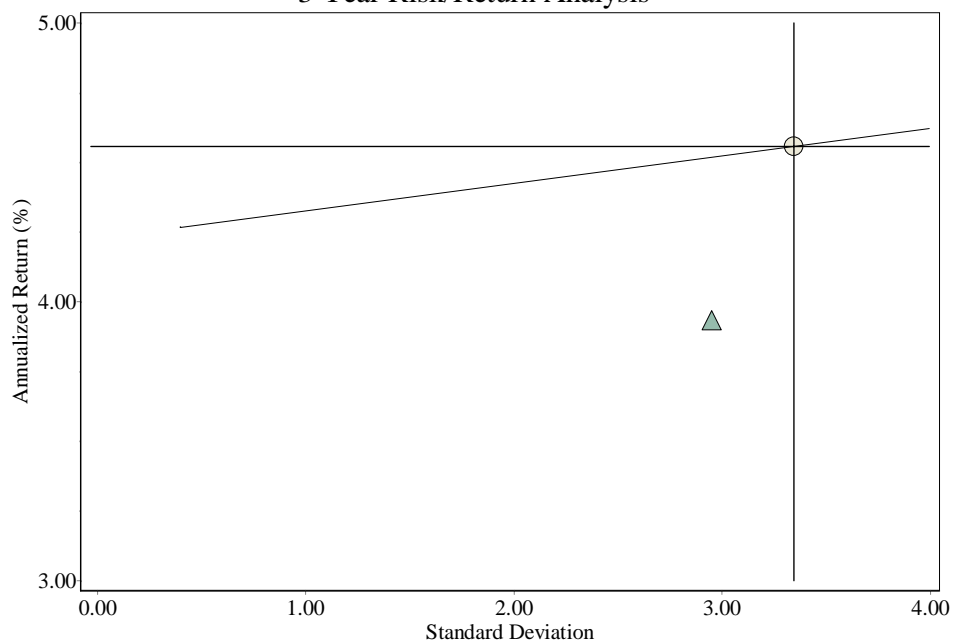
QUARTILE RANKING ANALYSIS TOTAL FUND AGAINST CORE FIXED INCOME



	LATEST QUARTER		ONE YEAR		THREE YEARS		FIVE YEARS		SINCE INCEPTION	
HIGHEST VALUE		3.56		8.32		5.38		5.34		7.74
FIRST QUARTILE		3.03		7.27		4.80		4.75		7.23
MEDIAN VALUE		2.72		6.83		4.59		4.50		7.07
THIRD QUARTILE		2.26		6.16		4.39		4.22		6.76
LOWEST VALUE		1.11		4.18		3.80		3.58		5.86
MEAN		2.61		6.64		4.57		4.49		6.97
	LATEST QUARTER		ONE YEAR		THREE YEARS		FIVE YEARS		SINCE INCEPTION	
	RETURN	RANK	RETURN	RANK	RETURN	RANK	RETURN	RANK	RETURN	RANK
▲ PRINCIPAL BOND MTG	1.20	99	3.77	99	3.94	97	4.63	38	7.69	1
● LB AGGREGATE BOND	3.00	27	6.96	43	4.56	53	4.42	57	6.98	58

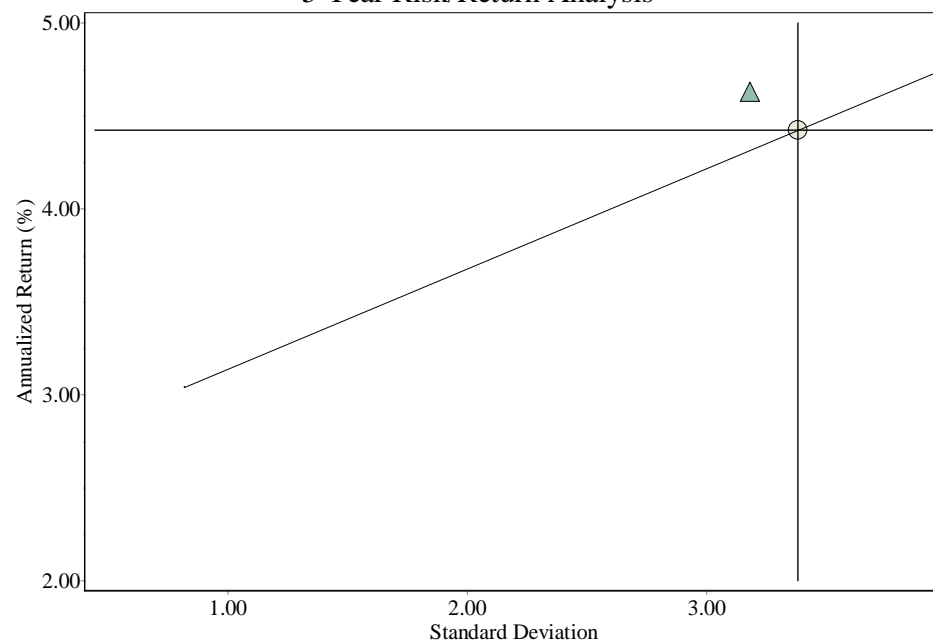
PRINCIPAL BOND AND MORTGAGE RETURN VS RISK

3 Year Risk/Return Analysis



	Return	Std Dev	Alpha	Beta	R-Squared
▲ PRINCIPAL BOND MTG	3.94	2.95	-0.55	0.81	84.63
● LB AGGREGATE BOND	4.56	3.35	0.00	1.00	100.00

5 Year Risk/Return Analysis



	Return	Std Dev	Alpha	Beta	R-Squared
▲ PRINCIPAL BOND MTG	4.63	3.18	0.30	0.92	89.25
● LB AGGREGATE BOND	4.42	3.38	0.00	1.00	100.00

**PRINCIPAL BOND AND MORTGAGE
TOTAL FUND MARKET VALUES AND CASH FLOWS**

Period Ending	Beginning Value	Net Flows	Investment Gain/Loss	Ending Value	Return (%)
Mar 2002	N/A	0	0	N/A	0.17
Jun 2002	N/A	0	17,507,309	17,507,309	3.76
Sep 2002	17,507,309	0	245,608	17,752,917	4.57
Dec 2002	17,752,917	0	-45,649	17,707,268	1.67
Mar 2003	17,707,268	0	-121,848	17,585,420	1.72
Jun 2003	17,585,420	0	130,200	17,715,620	2.92
Sep 2003	17,715,620	0	-384,598	17,331,022	0.06
Dec 2003	17,331,022	0	-217,931	17,113,091	0.96
Mar 2004	17,113,091	0	1,421,510	18,534,601	2.95
Jun 2004	18,534,601	0	-776,403	17,758,198	-2.12
Sep 2004	17,758,198	0	117,376	17,875,574	3.42
Dec 2004	17,875,574	0	1,188,448	19,064,022	1.33
Mar 2005	19,064,022	0	-36,191	19,027,831	-0.36
Jun 2005	19,027,831	-427,848	531,134	19,131,117	2.96
Sep 2005	19,131,117	-438,404	-63,397	18,629,316	-0.16
Dec 2005	18,629,316	-487,332	117,988	18,259,972	0.80
Mar 2006	18,259,972	80,714	-87,760	18,252,926	-0.48
Jun 2006	18,252,926	-620,233	-34,482	17,598,211	-0.19
Sep 2006	17,598,211	-527,584	673,556	17,744,183	3.91
Dec 2006	17,744,183	-535,765	266,874	17,475,292	1.53
Mar 2007	17,475,292	117,510	279,992	17,872,794	1.62
Jun 2007	17,872,794	-517,988	-150,993	17,203,813	-0.86
Sep 2007	17,203,813	-316,543	303,709	17,190,979	1.79
Dec 2007	17,190,979	-294,021	203,916	17,100,874	1.20

**PRINCIPAL BOND AND MORTGAGE
QUARTERLY ASSET ALLOCATION (%)****BOND**

Period Ending	Actual Weight
03/31/2006	100.00
06/30/2006	100.00
09/30/2006	100.00
12/31/2006	100.00
03/31/2007	100.00
06/30/2007	100.00
09/30/2007	100.00
12/31/2007	100.00

**COMPOSITE
RISK MEASURES - TOTAL FUND**

3 Yr	Fund	Policy	Diff
Negative Periods	3.00	3.00	0.00
Positive Periods	9.00	9.00	0.00
Batting Average	58.33	41.67	16.67
Worst Qtr	-1.90	-1.25	-0.66
Best Qtr	5.79	5.30	0.48
Range	7.69	6.55	1.14
Worst 4 Qtrs	6.43	5.40	1.04
Standard Deviation	4.76	4.13	0.63
Beta	1.15	1.00	0.15
Alpha	-0.28	0.00	-0.28
R-Squared	98.07	100.00	-1.93
Sharpe Ratio	0.96	1.02	-0.06
Treynor Ratio	3.94	4.21	-0.27
Tracking Error	0.89	0.00	0.89
Information Ratio	0.39		

5 Yr	Fund	Policy	Diff
Negative Periods	5.00	4.00	1.00
Positive Periods	15.00	16.00	-1.00
Batting Average	50.00	50.00	0.00
Worst Qtr	-1.93	-2.34	0.41
Best Qtr	10.03	11.35	-1.32
Range	11.96	13.70	-1.74
Worst 4 Qtrs	5.57	5.40	0.17
Standard Deviation	6.39	6.71	-0.32
Beta	0.93	1.00	-0.07
Alpha	0.10	0.00	0.10
R-Squared	97.38	100.00	-2.62
Sharpe Ratio	1.21	1.22	-0.01
Treynor Ratio	8.27	8.16	0.11
Tracking Error	1.15	0.00	1.15
Information Ratio	-0.38		

7 Yr	Fund	Policy	Diff
Negative Periods		8.00	
Positive Periods		20.00	
Batting Average			
Worst Qtr		-10.32	
Best Qtr		11.35	
Range		21.68	
Worst 4 Qtrs		-12.76	
Standard Deviation		9.73	
Beta		1.00	
Alpha		0.00	
R-Squared		100.00	
Sharpe Ratio		0.24	
Treynor Ratio		2.35	
Tracking Error		0.00	
Information Ratio			

Incept	Fund	Policy	Diff
Negative Periods	7.00	6.00	1.00
Positive Periods	17.00	18.00	-1.00
Batting Average	50.00	50.00	0.00
Worst Qtr	-7.84	-10.32	2.48
Best Qtr	10.03	11.35	-1.32
Range	17.87	21.68	-3.81
Worst 4 Qtrs	-8.08	-12.76	4.67
Standard Deviation	7.68	8.84	-1.16
Beta	0.86	1.00	-0.14
Alpha	1.05	0.00	1.05
R-Squared	97.40	100.00	-2.60
Sharpe Ratio	0.65	0.51	0.14
Treynor Ratio	5.80	4.48	1.33
Tracking Error	1.77	0.00	1.77
Information Ratio	0.20		

Past performance is not a guarantee of future results.

**PRINCIPAL LARGE CAP STOCK INDEX
RISK MEASURES - TOTAL FUND**

3 Yr	Fund	Policy	Diff
Negative Periods	3.00	3.00	0.00
Positive Periods	9.00	9.00	0.00
Batting Average	16.67	83.33	-66.67
Worst Qtr	-3.43	-3.33	-0.09
Best Qtr	6.60	6.70	-0.10
Range	10.02	10.03	-0.01
Worst 4 Qtrs	4.92	4.90	0.02
Standard Deviation	6.32	6.35	-0.03
Beta	1.00	1.00	0.00
Alpha	-0.17	0.00	-0.17
R-Squared	99.98	100.00	-0.02
Sharpe Ratio	0.66	0.69	-0.03
Treynor Ratio	4.16	4.35	-0.19
Tracking Error	0.09	0.00	0.09
Information Ratio	-2.27		

5 Yr	Fund	Policy	Diff
Negative Periods	5.00	5.00	0.00
Positive Periods	15.00	15.00	0.00
Batting Average	20.00	80.00	-60.00
Worst Qtr	-3.43	-3.33	-0.09
Best Qtr	15.36	15.40	-0.04
Range	18.79	18.73	0.05
Worst 4 Qtrs	4.92	4.90	0.02
Standard Deviation	9.68	9.71	-0.03
Beta	1.00	1.00	0.00
Alpha	-0.13	0.00	-0.13
R-Squared	99.99	100.00	-0.01
Sharpe Ratio	0.99	1.01	-0.01
Treynor Ratio	9.64	9.79	-0.14
Tracking Error	0.08	0.00	0.08
Information Ratio	-1.97		

7 Yr	Fund	Policy	Diff
Negative Periods	9.00	9.00	0.00
Positive Periods	19.00	19.00	0.00
Batting Average	28.57	71.43	-42.86
Worst Qtr	-17.27	-17.28	0.01
Best Qtr	15.36	15.40	-0.04
Range	32.63	32.68	-0.05
Worst 4 Qtrs	-24.77	-24.77	0.00
Standard Deviation	15.50	15.54	-0.04
Beta	1.00	1.00	0.00
Alpha	-0.11	0.00	-0.11
R-Squared	100.00	100.00	0.00
Sharpe Ratio	0.02	0.03	-0.01
Treynor Ratio	0.32	0.43	-0.11
Tracking Error	0.10	0.00	0.10
Information Ratio	-1.22		

Incept	Fund	Policy	Diff
Negative Periods	14.00	14.00	0.00
Positive Periods	38.00	38.00	0.00
Batting Average	61.54	38.46	23.08
Worst Qtr	-17.27	-17.28	0.01
Best Qtr	21.37	21.30	0.07
Range	38.64	38.57	0.07
Worst 4 Qtrs	-26.58	-26.62	0.04
Standard Deviation	15.72	15.72	0.00
Beta	1.00	1.00	0.00
Alpha	0.08	0.00	0.08
R-Squared	99.99	100.00	-0.01
Sharpe Ratio	0.47	0.46	0.01
Treynor Ratio	7.39	7.30	0.08
Tracking Error	0.13	0.00	0.13
Information Ratio	0.58		

Past performance is not a guarantee of future results.

**PRINCIPAL INTERNATIONAL STOCK
RISK MEASURES - TOTAL FUND**

3 Yr	Fund	Policy	Diff
Negative Periods	2.00	3.00	-1.00
Positive Periods	10.00	9.00	1.00
Batting Average	75.00	25.00	50.00
Worst Qtr	-1.49	-1.75	0.26
Best Qtr	15.34	10.38	4.96
Range	16.83	12.13	4.70
Worst 4 Qtrs	16.43	11.17	5.26
Standard Deviation	10.24	8.28	1.96
Beta	1.19	1.00	0.19
Alpha	3.36	0.00	3.36
R-Squared	91.07	100.00	-8.93
Sharpe Ratio	1.85	1.52	0.33
Treynor Ratio	15.82	12.56	3.26
Tracking Error	3.43	0.00	3.43
Information Ratio	1.67		

5 Yr	Fund	Policy	Diff
Negative Periods	4.00	5.00	-1.00
Positive Periods	16.00	15.00	1.00
Batting Average	65.00	35.00	30.00
Worst Qtr	-7.88	-8.20	0.32
Best Qtr	17.86	19.27	-1.41
Range	25.74	27.47	-1.73
Worst 4 Qtrs	16.43	11.17	5.26
Standard Deviation	13.81	13.47	0.34
Beta	0.99	1.00	-0.01
Alpha	3.39	0.00	3.39
R-Squared	93.58	100.00	-6.42
Sharpe Ratio	1.61	1.38	0.23
Treynor Ratio	22.49	18.55	3.94
Tracking Error	3.52	0.00	3.52
Information Ratio	0.89		

7 Yr	Fund	Policy	Diff
Negative Periods	9.00	10.00	-1.00
Positive Periods	19.00	18.00	1.00
Batting Average	67.86	32.14	35.71
Worst Qtr	-18.28	-19.73	1.45
Best Qtr	17.86	19.27	-1.41
Range	36.14	39.01	-2.87
Worst 4 Qtrs	-21.00	-23.22	2.23
Standard Deviation	16.89	17.56	-0.66
Beta	0.88	1.00	-0.12
Alpha	5.97	0.00	5.97
R-Squared	84.57	100.00	-15.43
Sharpe Ratio	0.66	0.31	0.35
Treynor Ratio	12.75	5.50	7.25
Tracking Error	6.95	0.00	6.95
Information Ratio	0.72		

Incept	Fund	Policy	Diff
Negative Periods	15.00	19.00	-4.00
Positive Periods	37.00	33.00	4.00
Batting Average	65.38	34.62	30.77
Worst Qtr	-18.28	-19.73	1.45
Best Qtr	17.86	20.65	-2.79
Range	36.14	40.38	-4.24
Worst 4 Qtrs	-21.00	-28.54	7.54
Standard Deviation	16.15	16.59	-0.44
Beta	0.89	1.00	-0.11
Alpha	6.24	0.00	6.24
R-Squared	83.56	100.00	-16.44
Sharpe Ratio	0.64	0.25	0.39
Treynor Ratio	11.64	4.15	7.49
Tracking Error	6.83	0.00	6.83
Information Ratio	0.81		

Past performance is not a guarantee of future results.

PRINCIPAL BOND AND MORTGAGE RISK MEASURES - TOTAL FUND

3 Yr	Fund	Policy	Diff
Negative Periods	5.00	5.00	0.00
Positive Periods	7.00	7.00	0.00
Batting Average	58.33	41.67	16.67
Worst Qtr	-0.86	-0.68	-0.19
Best Qtr	3.91	3.81	0.10
Range	4.77	4.48	0.29
Worst 4 Qtrs	-0.04	-0.81	0.77
Standard Deviation	2.82	3.20	-0.38
Beta	0.81	1.00	-0.19
Alpha	-0.55	0.00	-0.55
R-Squared	84.63	100.00	-15.37
Sharpe Ratio	-0.12	0.09	-0.21
Treynor Ratio	-0.41	0.29	-0.70
Tracking Error	1.25	0.00	1.25
Information Ratio	-0.50		

5 Yr	Fund	Policy	Diff
Negative Periods	6.00	7.00	-1.00
Positive Periods	14.00	13.00	1.00
Batting Average	75.00	25.00	50.00
Worst Qtr	-2.12	-2.44	0.32
Best Qtr	3.91	3.81	0.10
Range	6.03	6.24	-0.22
Worst 4 Qtrs	-0.04	-0.81	0.77
Standard Deviation	3.10	3.30	-0.20
Beta	0.92	1.00	-0.08
Alpha	0.30	0.00	0.30
R-Squared	89.25	100.00	-10.75
Sharpe Ratio	0.51	0.42	0.09
Treynor Ratio	1.72	1.38	0.34
Tracking Error	1.10	0.00	1.10
Information Ratio	0.17		

7 Yr	Fund	Policy	Diff
Negative Periods	7.00	7.00	0.00
Positive Periods	21.00	21.00	0.00
Batting Average	71.43	28.57	42.86
Worst Qtr	-2.12	-2.44	0.32
Best Qtr	4.74	4.62	0.12
Range	6.86	7.05	-0.19
Worst 4 Qtrs	-0.04	-0.81	0.77
Standard Deviation	3.41	3.56	-0.15
Beta	0.95	1.00	-0.05
Alpha	0.31	0.00	0.31
R-Squared	93.11	100.00	-6.89
Sharpe Ratio	0.91	0.83	0.09
Treynor Ratio	3.29	2.94	0.35
Tracking Error	0.95	0.00	0.95
Information Ratio	0.17		

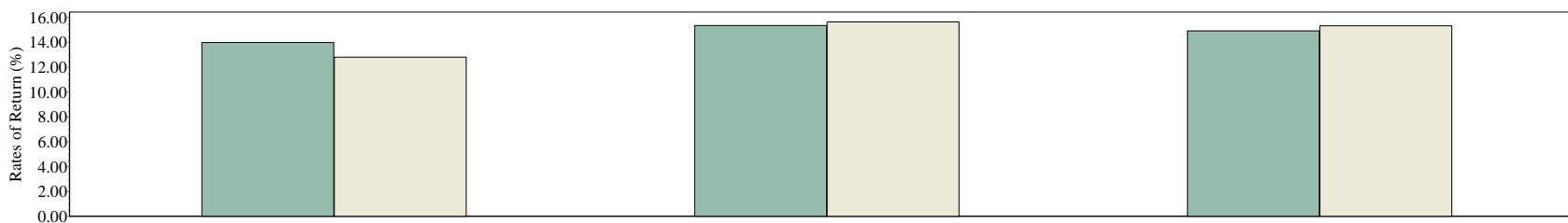
Incept	Fund	Policy	Diff
Negative Periods	9.00	12.00	-3.00
Positive Periods	43.00	40.00	3.00
Batting Average	78.85	21.15	57.69
Worst Qtr	-2.12	-2.44	0.32
Best Qtr	6.51	6.09	0.42
Range	8.63	8.53	0.10
Worst 4 Qtrs	-0.04	-0.83	0.79
Standard Deviation	3.77	3.81	-0.05
Beta	0.96	1.00	-0.04
Alpha	0.78	0.00	0.78
R-Squared	95.09	100.00	-4.91
Sharpe Ratio	0.99	0.79	0.20
Treynor Ratio	3.87	3.02	0.85
Tracking Error	0.83	0.00	0.83
Information Ratio	0.80		

Past performance is not a guarantee of future results.

COMPOSITE

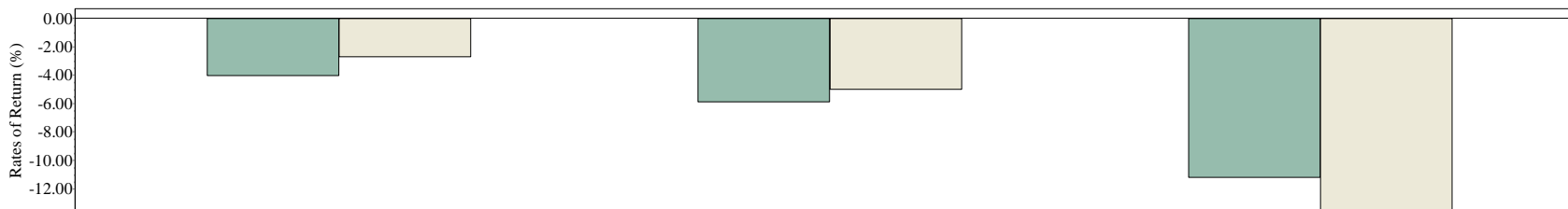
TOTAL FUND PERFORMANCE IN RISING AND DECLINING MARKETS

Performance in Rising Markets



	3 Yr	5 Yr	Inception
TOTAL FUND	14.00	15.36	14.95
POLICY INDEX	12.84	15.66	15.34
Difference	1.17	-0.30	-0.39
Ratio	1.09	0.98	0.97
Up Periods	9	16	18

Performance in Declining Markets



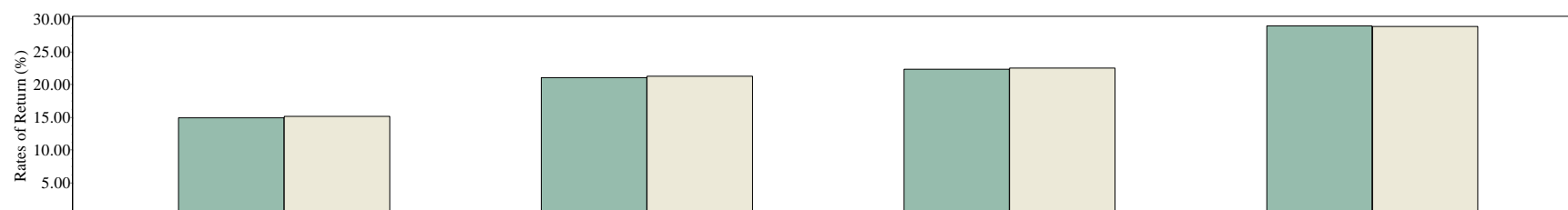
	3 Yr	5 Yr	Inception
TOTAL FUND	-4.05	-5.90	-11.19
POLICY INDEX	-2.72	-5.00	-13.71
Difference	-1.33	-0.90	2.52
Ratio	1.49	1.18	0.82
Down Periods	3	4	6

The comparative index for this analysis is the POLICY INDEX.

PRINCIPAL LARGE CAP STOCK INDEX

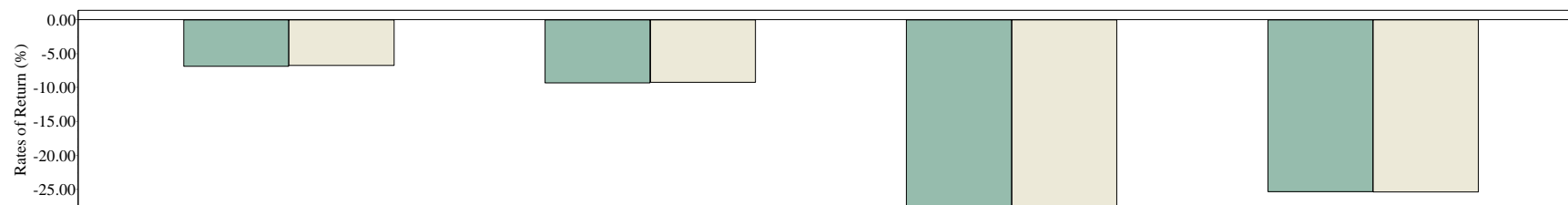
TOTAL FUND PERFORMANCE IN RISING AND DECLINING MARKETS

Performance in Rising Markets



	3 Yr	5 Yr	7 Yr	Inception
TOTAL FUND	14.96	21.12	22.39	29.01
S&P 500	15.19	21.31	22.57	28.94
Difference	-0.23	-0.19	-0.18	0.07
Ratio	0.99	0.99	0.99	1.00
Up Periods	9	15	19	38

Performance in Declining Markets

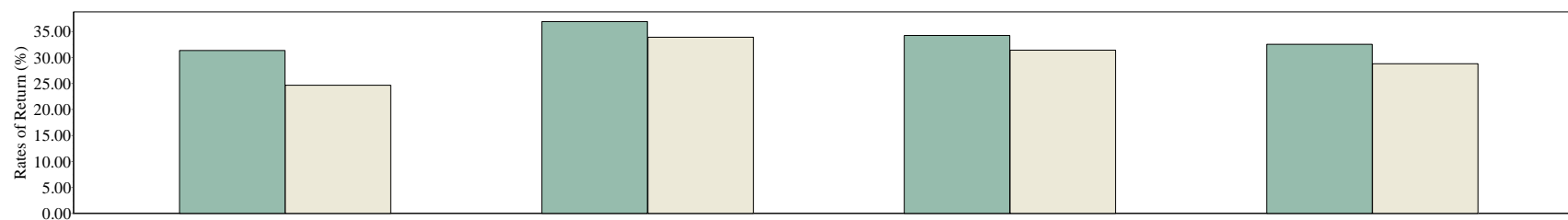


	3 Yr	5 Yr	7 Yr	Inception
TOTAL FUND	-6.89	-9.33	-28.03	-25.34
S&P 500	-6.78	-9.23	-28.01	-25.43
Difference	-0.12	-0.09	-0.02	0.09
Ratio	1.02	1.01	1.00	1.00
Down Periods	3	5	9	14

The comparative index for this analysis is the S&P 500.

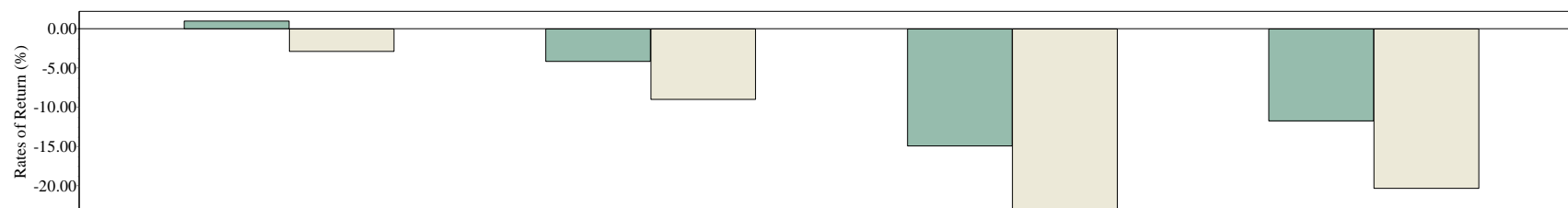
PRINCIPAL INTERNATIONAL STOCK TOTAL FUND PERFORMANCE IN RISING AND DECLINING MARKETS

Performance in Rising Markets



	3 Yr	5 Yr	7 Yr	Inception
TOTAL FUND	31.42	36.93	34.30	32.62
MSCI NET EAFE	24.67	33.92	31.44	28.88
Difference	6.75	3.01	2.85	3.74
Ratio	1.27	1.09	1.09	1.13
Up Periods	9	15	18	33

Performance in Declining Markets

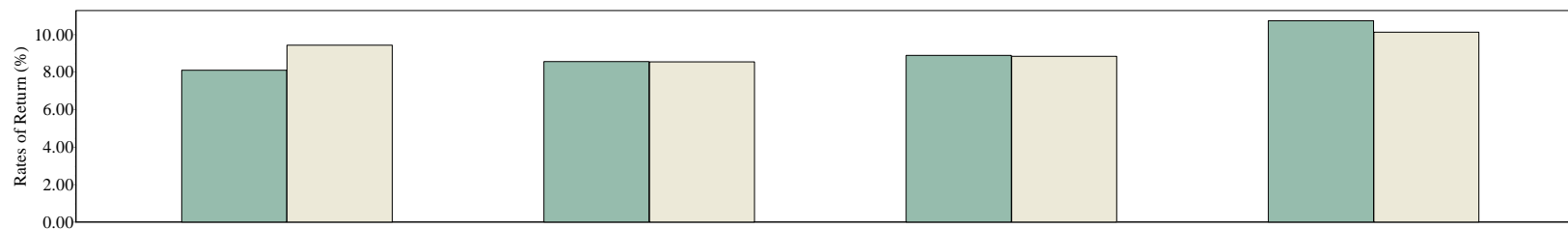


	3 Yr	5 Yr	7 Yr	Inception
TOTAL FUND	1.01	-4.18	-14.94	-11.76
MSCI NET EAFE	-2.90	-8.99	-23.44	-20.33
Difference	3.91	4.82	8.51	8.56
Ratio	-0.35	0.46	0.64	0.58
Down Periods	3	5	10	19

The comparative index for this analysis is the MSCI NET EAFE.

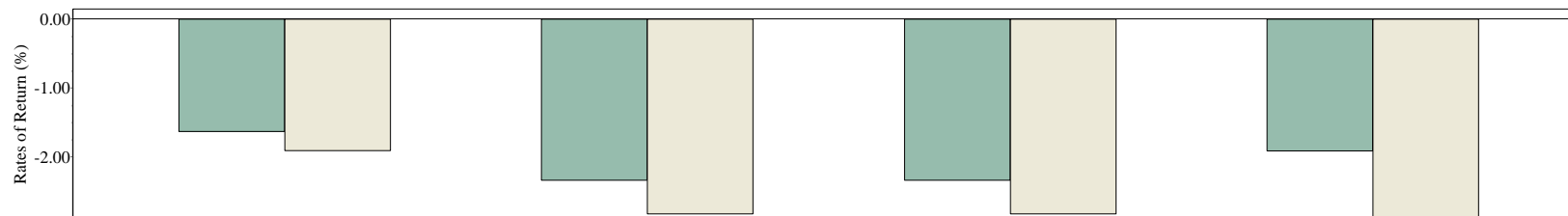
PRINCIPAL BOND AND MORTGAGE TOTAL FUND PERFORMANCE IN RISING AND DECLINING MARKETS

Performance in Rising Markets



	3 Yr	5 Yr	7 Yr	Inception
TOTAL FUND	8.11	8.59	8.91	10.75
LB AGGREGATE BOND	9.44	8.55	8.85	10.15
Difference	-1.33	0.03	0.06	0.60
Ratio	0.86	1.00	1.01	1.06
Up Periods	7	13	21	40

Performance in Declining Markets



	3 Yr	5 Yr	7 Yr	Inception
TOTAL FUND	-1.64	-2.34	-2.34	-1.92
LB AGGREGATE BOND	-1.91	-2.83	-2.83	-2.92
Difference	0.27	0.49	0.49	1.00
Ratio	0.86	0.83	0.83	0.66
Down Periods	5	7	7	12

The comparative index for this analysis is the LB AGGREGATE BOND.

**COMPOSITE
TOTAL FUND TIME WEIGHTED RATES OF RETURN**

DATE	ACCOUNT						POLICY INDEX			
	QUARTERLY	SEMI	ANNUALLY	ANNUALLY	SINCE		QUARTERLY	SEMI	ANNUALLY	SINCE
					12/2001					12/2001
03/2002	0.28				0.28		0.32			0.32
06/2002	-3.50	*	-3.23	*	-3.23	*	-5.91	-5.61		-5.61
09/2002	-7.84	*			-10.82	*	-10.32			-15.36
12/2002	5.39		-2.87	*	-6.01	*	5.88	-5.05	-10.38	-10.38
03/2003	-1.93	*			-6.31	*	-2.34			-10.11
06/2003	10.03		7.91		0.95	*	11.35	8.74		-1.70
09/2003	1.36				1.59	*	2.51			-0.06
12/2003	7.79		9.26		5.27	*	8.65	11.38	21.12	4.19
03/2004	2.56	*			5.85	*	2.43			4.83
06/2004	-0.23		2.32		5.15	*	0.03	2.46		4.34
09/2004	0.45	*			4.84	*	0.14			3.99
12/2004	6.74		7.22		6.73	*	7.18	7.33	9.97	6.08
03/2005	-1.31				5.76	*	-1.25			5.19
06/2005	1.99	*	0.65	*	5.94	*	1.60	0.33		5.29
09/2005	3.53	*			6.51	*	3.11			5.79
12/2005	2.14	*	5.74	*	6.65	*	1.88	5.05	5.40	5.91
03/2006	3.59	*			7.14	*	3.26			6.35
06/2006	-0.88		2.67	*	6.52	*	-0.62	2.62		5.84
09/2006	4.64				7.18	*	4.76			6.56
12/2006	5.79	*	10.69	*	8.02	*	5.30	10.31	13.20	7.33
03/2007	1.36				7.90	*	1.47			7.27
06/2007	4.65	*	6.07	*	8.42	*	3.90	5.43		7.67
09/2007	2.38	*			8.48	*	2.37			7.76
12/2007	-1.90		0.43		7.77	*	-0.87	1.48	6.99	7.27

THE ASTERISKS INDICATE THOSE PERIODS DURING WHICH THE TOTAL FUND OUTPERFORMED THE POLICY INDEX.

**COMPOSITE
TOTAL FUND TIME WEIGHTED RATES OF RETURN**

THE POLICY INDEX REFLECTS THE RETURNS OF THE MANAGER'S ASSET
ALLOCATION IF INVESTED IN THE MARKETS REPRESENTED BY THE FOLLOWING INDEXES:

01/31/1995 - PRESENT

50%	S&P 500
35%	LB AGGREGATE BOND
15%	MSCI NET EAFE

THE ASTERISKS INDICATE THOSE PERIODS DURING WHICH THE TOTAL FUND OUTPERFORMED THE POLICY INDEX.

**PRINCIPAL LARGE CAP STOCK INDEX
TOTAL FUND TIME WEIGHTED RATES OF RETURN**

DATE	ACCOUNT						S&P 500			
	QUARTERLY	SEMI	ANNUALLY	ANNUALLY	SINCE	12/1994	QUARTERLY	SEMI	ANNUALLY	SINCE
03/1995	9.80	*			9.80	*	9.74			9.74
06/1995	9.62	*	20.36	*	20.36	*	9.55	20.21		20.21
09/1995	8.01	*			30.00	*	7.95			29.77
12/1995	6.11	*	14.61	*	37.95	*	6.02	14.45	37.58	37.58
03/1996	5.40	*			34.91	*	5.37			34.59
06/1996	4.58	*	10.23	*	32.23	*	4.49	10.10		31.89
09/1996	3.17	*			29.34	*	3.09			29.00
12/1996	8.42	*	11.86	*	23.30	*	8.34	11.68	22.96	30.06
03/1997	2.77	*			28.17	*	2.68			27.81
06/1997	17.49	*	20.74	*	33.36	*	17.46	20.61		33.01
09/1997	7.58	*			33.41	*	7.49			33.05
12/1997	2.96	*	10.76	*	33.74	*	2.87	10.58	33.36	31.15
03/1998	14.01	*			34.07	*	13.95			33.71
06/1998	3.37	*	17.85	*	32.54	*	3.31	17.72		32.19
09/1998	-9.83	*			26.54	*	-9.95			26.18
12/1998	21.37	*	9.44	*	28.98	*	21.30	9.23	28.58	30.51
03/1999	5.04	*			30.32	*	4.98			29.96
06/1999	7.12	*	12.52	*	30.39	*	7.05	12.38		30.03
09/1999	-6.15	*			26.88	*	-6.25			26.52
12/1999	14.97	*	7.90	*	21.41	*	14.88	7.70	21.04	28.56
03/2000	2.34	*			27.94	*	2.29			27.58
06/2000	-2.58	*	-0.30	*	25.91	*	-2.66	-0.42		25.56
09/2000	-0.92	*			24.46	*	-0.97			24.11
12/2000	-7.71	*	-8.56	*	-8.83	*	-7.83	-8.72	-9.11	21.34
03/2001	-11.90				18.31	*	-11.86			18.00
06/2001	5.73		-6.85		18.56	*	5.86	-6.69		18.28
09/2001	-14.59	*			15.10	*	-14.68			14.81

THE ASTERISKS INDICATE THOSE PERIODS DURING WHICH THE TOTAL FUND OUTPERFORMED THE S&P 500.

**PRINCIPAL LARGE CAP STOCK INDEX
TOTAL FUND TIME WEIGHTED RATES OF RETURN**

DATE	ACCOUNT						S&P 500				
	QUARTERLY	SEMI	ANNUALLY	ANNUALLY		SINCE	QUARTERLY	SEMI	ANNUALLY	SINCE	
						12/1994				12/1994	
12/2001	10.74	*	-5.42	*	-11.90	16.20	*	10.69	-5.56	-11.88	15.92
03/2002	0.25					15.64	*	0.27			15.37
06/2002	-13.39	*	-13.17			12.90	*	-13.40	-13.16		12.64
09/2002	-17.27	*				9.74	*	-17.28			9.50
12/2002	8.42		-10.30		-22.12	10.53	*	8.43	-10.30	-22.11	10.30
03/2003	-3.16					9.77	*	-3.15			9.55
06/2003	15.36		11.71			11.33	*	15.40	11.77		11.11
09/2003	2.63					11.31	*	2.64			11.11
12/2003	12.10		15.05		28.53	12.40	*	12.18	15.14	28.69	12.21
03/2004	1.67					12.25	*	1.70			12.06
06/2004	1.72	*	3.42			12.11	*	1.71	3.44		11.93
09/2004	-1.87	*				11.56	*	-1.87			11.39
12/2004	9.21		7.17		10.83	12.24	*	9.23	7.19	10.87	12.07
03/2005	-2.12	*				11.69	*	-2.15			11.52
06/2005	1.37	*	-0.78	*		11.54	*	1.36	-0.82		11.38
09/2005	3.59					11.63	*	3.61			11.47
12/2005	2.08		5.74		4.92	11.56	*	2.09	5.77	4.90	11.40
03/2006	4.11					11.69	*	4.21			11.54
06/2006	-1.50		2.55			11.27	*	-1.44	2.71		11.14
09/2006	5.60					11.53	*	5.67			11.41
12/2006	6.60		12.57		15.44	11.87	*	6.70	12.74	15.80	11.76
03/2007	0.61					11.67	*	0.64			11.56
06/2007	6.20		6.84			11.97	*	6.28	6.96		11.86
09/2007	1.96					11.89	*	2.03			11.79
12/2007	-3.43		-1.53		5.21	11.35	*	-3.33	-1.37	5.49	11.26

THE ASTERISKS INDICATE THOSE PERIODS DURING WHICH THE TOTAL FUND OUTPERFORMED THE S&P 500.

**PRINCIPAL LARGE CAP STOCK INDEX
TOTAL FUND TIME WEIGHTED RATES OF RETURN**

THE POLICY INDEX REFLECTS THE RETURNS OF THE MANAGER'S ASSET
ALLOCATION IF INVESTED IN THE MARKETS REPRESENTED BY THE FOLLOWING INDEXES:

12/31/1994 - PRESENT
100% S&P 500

THE ASTERISKS INDICATE THOSE PERIODS DURING WHICH THE TOTAL FUND OUTPERFORMED THE S&P 500.

**PRINCIPAL INTERNATIONAL STOCK
TOTAL FUND TIME WEIGHTED RATES OF RETURN**

DATE	ACCOUNT					MSCI NET EAFE				
	QUARTERLY	SEMI ANNUALLY	ANNUALLY		SINCE 12/1994	QUARTERLY	SEMI ANNUALLY	ANNUALLY		SINCE 12/1994
03/1995	-0.66				-0.66	1.87				1.87
06/1995	9.50	*	8.78	*	8.78	0.73	2.61			2.61
09/1995	5.14	*			14.37	4.18				6.90
12/1995	1.88		7.12		16.52	4.05	8.39	11.22		11.22
03/1996	8.60	*			20.72	2.89				11.39
06/1996	4.19	*	13.15	*	20.24	1.59	4.52			10.56
09/1996	3.20	*			19.24	-0.12				8.91
12/1996	8.40	*	11.87	*	21.45	1.59	1.47	6.06		8.61
03/1997	3.66	*			20.77	-1.56				6.87
06/1997	10.83		14.89	*	23.48	12.97	11.21			11.47
09/1997	5.70	*			23.61	-0.70				10.09
12/1997	-5.72	*	-0.35	*	19.08	-7.84	-8.48	1.77		6.28
03/1998	15.53	*			22.83	14.71				10.35
06/1998	-0.26		15.23		20.95	1.07	15.94			9.91
09/1998	-17.09				13.60	-14.22				4.84
12/1998	17.71		-2.41		17.39	20.65	3.49	19.99		9.55
03/1999	3.22	*			17.16	1.39				9.32
06/1999	2.95	*	6.26	*	16.88	2.54	3.96			9.39
09/1999	2.66				16.57	4.39				9.86
12/1999	16.21		19.30		19.21	16.99	22.13	26.97		12.83
03/2000	3.60	*			19.01	-0.10				12.16
06/2000	-1.33	*	2.22	*	17.79	-3.96	-4.06			10.76
09/2000	-9.24				15.00	-8.06				8.67
12/2000	0.83	*	-8.49	*	14.49	-2.69	-10.53	-14.16		7.81
03/2001	3.60	*			14.52	-13.71				4.98
06/2001	-0.75	*	2.82	*	13.79	-1.05	-14.61			4.61
09/2001	-15.01				10.55	-14.00				2.13

THE ASTERISKS INDICATE THOSE PERIODS DURING WHICH THE TOTAL FUND OUTPERFORMED THE MSCI NET EAFE.

**PRINCIPAL INTERNATIONAL STOCK
TOTAL FUND TIME WEIGHTED RATES OF RETURN**

DATE	ACCOUNT							MSCI NET EAFE				
	QUARTERLY	SEMI	ANNUALLY	ANNUALLY		SINCE		QUARTERLY	SEMI	ANNUALLY	SINCE	
						12/1994					12/1994	
12/2001	9.47	*	-6.96	*	-4.33	*	11.59	*	6.98	-7.99	-21.44	3.04
03/2002	-0.48						11.09	*	0.51			3.01
06/2002	-1.43	*	-1.90				10.49	*	-2.12	-1.62		2.61
09/2002	-18.28	*					7.31	*	-19.73			-0.34
12/2002	6.47	*	-12.99	*	-14.65	*	7.91	*	6.45	-14.56	-15.94	0.45
03/2003	-7.88	*					6.60	*	-8.20			-0.60
06/2003	17.86		8.57				8.47	*	19.27	9.49		1.50
09/2003	5.62						8.90	*	8.12			2.37
12/2003	17.72	*	24.34		34.99		10.63	*	17.08	26.59	38.60	4.11
03/2004	4.24						10.82	*	4.34			4.48
06/2004	-0.77		3.44				10.44	*	0.22	4.56		4.38
09/2004	1.89	*					10.37	*	-0.28			4.23
12/2004	15.94	*	18.13	*	22.19	*	11.74	*	15.32	15.00	20.24	5.62
03/2005	0.90	*					11.53	*	-0.17			5.46
06/2005	1.62	*	2.53	*			11.41	*	-1.01	-1.17		5.23
09/2005	15.34	*					12.62	*	10.38			6.07
12/2005	6.01	*	22.27	*	25.37	*	12.91	*	4.08	14.88	13.54	6.32
03/2006	11.91	*					13.74	*	9.40			7.02
06/2006	-0.08		11.81	*			13.41	*	0.70	10.16		6.93
09/2006	2.63						13.36	*	3.93			7.13
12/2006	11.51	*	14.44		27.96	*	14.09	*	10.35	14.69	26.34	7.86
03/2007	3.61						14.12	*	4.08			8.04
06/2007	8.88	*	12.81	*			14.59	*	6.40	10.74		8.41
09/2007	4.77	*					14.71	*	2.18			8.42
12/2007	-1.49	*	3.21	*	16.43	*	14.27	*	-1.75	0.39	11.17	8.11

THE ASTERISKS INDICATE THOSE PERIODS DURING WHICH THE TOTAL FUND OUTPERFORMED THE MSCI NET EAFE.

PRINCIPAL INTERNATIONAL STOCK
TOTAL FUND TIME WEIGHTED RATES OF RETURN

THE POLICY INDEX REFLECTS THE RETURNS OF THE MANAGER'S ASSET
ALLOCATION IF INVESTED IN THE MARKETS REPRESENTED BY THE FOLLOWING INDEXES:

12/31/1994 - PRESENT
100% MSCI NET EAFE

THE ASTERISKS INDICATE THOSE PERIODS DURING WHICH THE TOTAL FUND OUTPERFORMED THE MSCI NET EAFE.

**PRINCIPAL BOND AND MORTGAGE
TOTAL FUND TIME WEIGHTED RATES OF RETURN**

DATE	ACCOUNT						LB AGGREGATE BOND			
	QUARTERLY	SEMI	ANNUALLY	ANNUALLY	SINCE	12/1994	QUARTERLY	SEMI	ANNUALLY	SINCE
03/1995	5.28	*			5.28	*	5.04			5.04
06/1995	6.51	*	12.13	*	12.13	*	6.09	11.44		11.44
09/1995	2.05	*			14.43	*	1.96			13.63
12/1995	4.65	*	6.80	*	19.75	*	4.26	6.31	18.47	18.47
03/1996	-1.26	*			14.35	*	-1.77			12.89
06/1996	0.66	*	-0.61	*	12.31	*	0.57	-1.21		11.06
09/1996	2.34	*			11.93	*	1.85			10.55
12/1996	3.37	*	5.79	*	12.21	*	3.00	4.90	3.63	10.80
03/1997	0.07	*			10.82	*	-0.56			9.27
06/1997	4.35	*	4.42	*	11.57	*	3.68	3.10		9.89
09/1997	3.69	*			11.93	*	3.33			10.26
12/1997	2.92		6.72	*	11.44	*	2.95	6.38	9.68	10.43
03/1998	1.96	*			11.65	*	1.54			10.10
06/1998	2.52	*	4.53	*	11.57	*	2.34	3.92		10.07
09/1998	3.83				11.87	*	4.23			10.59
12/1998	0.64	*	4.49		11.27	*	0.34	4.58	8.67	9.99
03/1999	0.39	*			10.67	*	-0.51			9.24
06/1999	-0.89		-0.50	*	9.83	*	-0.88	-1.38		8.49
09/1999	1.07	*			9.53	*	0.68			8.18
12/1999	0.04	*	1.11	*	0.60	*	-0.12	0.56	-0.83	7.73
03/2000	2.64	*			9.14	*	2.21			7.80
06/2000	1.82	*	4.51	*	9.06	*	1.73	3.98		7.77
09/2000	3.43	*			9.29	*	3.02			7.97
12/2000	4.62	*	8.21	*	13.09	*	4.21	7.36	11.63	8.37
03/2001	2.64				9.76	*	3.03			8.54
06/2001	0.91	*	3.57		9.52	*	0.56	3.60		8.29
09/2001	4.74	*			9.90	*	4.62			8.70

THE ASTERISKS INDICATE THOSE PERIODS DURING WHICH THE TOTAL FUND OUTPERFORMED THE LB AGGREGATE BOND.

PRINCIPAL BOND AND MORTGAGE TOTAL FUND TIME WEIGHTED RATES OF RETURN

DATE	ACCOUNT					LB AGGREGATE BOND				
	QUARTERLY	SEMI ANNUALLY	ANNUALLY		SINCE 12/1994	QUARTERLY	SEMI ANNUALLY	ANNUALLY		SINCE 12/1994
12/2001	-0.09	4.65	8.39		9.52 *	0.04	4.65	8.42		8.38
03/2002	0.17	*			9.20 *	0.10				8.09
06/2002	3.76	*	3.94	*	9.42 *	3.70	3.80			8.34
09/2002	4.57				9.73 *	4.59				8.69
12/2002	1.67	*	6.32	*	10.50 *	1.57	6.23	10.27		8.61
03/2003	1.72	*			9.56 *	1.39				8.52
06/2003	2.92	*	4.69	*	9.64 *	2.50	3.92			8.58
09/2003	0.06	*			9.36 *	-0.14				8.30
12/2003	0.96	*	1.02	*	5.76 *	0.32	0.18	4.11		8.10
03/2004	2.95	*			9.29 *	2.65				8.18
06/2004	-2.12	*	0.77	*	8.79 *	-2.44	0.15			7.68
09/2004	3.42	*			8.93 *	3.20				7.82
12/2004	1.33	*	4.80	*	5.60 *	0.95	4.18	4.34		7.72
03/2005	-0.36	*			8.57 *	-0.48				7.48
06/2005	2.96		2.59	*	8.66 *	3.01	2.52			7.60
09/2005	-0.16	*			8.44 *	-0.68				7.34
12/2005	0.80	*	0.64	*	3.24 *	0.59	-0.09	2.43		7.23
03/2006	-0.48	*			8.08 *	-0.64				7.00
06/2006	-0.19		-0.67	*	7.88 *	-0.08	-0.72			6.84
09/2006	3.91	*			8.06 *	3.81				7.03
12/2006	1.53	*	5.50	*	4.79 *	1.24	5.09	4.33		6.98
03/2007	1.62	*			7.99 *	1.50				6.97
06/2007	-0.86		0.74		7.75 *	-0.52	0.97			6.78
09/2007	1.79				7.74 *	2.85				6.88
12/2007	1.20		3.01		3.77 *	3.00	5.94	6.96		6.98

THE ASTERISKS INDICATE THOSE PERIODS DURING WHICH THE TOTAL FUND OUTPERFORMED THE LB AGGREGATE BOND.

**PRINCIPAL BOND AND MORTGAGE
TOTAL FUND TIME WEIGHTED RATES OF RETURN**

THE POLICY INDEX REFLECTS THE RETURNS OF THE MANAGER'S ASSET
ALLOCATION IF INVESTED IN THE MARKETS REPRESENTED BY THE FOLLOWING INDEXES:

12/31/1994 - PRESENT
100% LB AGGREGATE BOND

THE ASTERISKS INDICATE THOSE PERIODS DURING WHICH THE TOTAL FUND OUTPERFORMED THE LB AGGREGATE BOND.

**COMPOSITE
TOTAL FUND POLICY INDEX**

TOTAL FUND BENCHMARK

01/31/1995 - Present

50% S&P 500

35% LB AGGREGATE BOND

15% MSCI NET EAFE

COMPOSITE RISK MEASURES REPORT EXPLANATION

The evaluation of a fund's performance should extend beyond return to encompass measures of risk. The following page is used to determine the level of risk to which the fund has been exposed, and whether the return has been commensurate with the risk taken. All measures are calculated for both the fund and the policy as well as the difference between the two. Up to four time periods are evaluated depending on the age of the fund.

Of Negative Qtrs/# Of Positive Qtrs: Number of negative quarters shows the number of quarters in which the return was less than zero, and the number of positive quarters is the number of quarterly returns which were greater or equal to zero.

Batting Average: The batting average is a measure of consistency. It shows the percent of the quarters the fund has beaten the policy and the percent of the quarters the policy has beat the fund. A high average for the fund (e.g. over 50) is desirable, indicating the fund has beaten the policy frequently.

Worst Quarter/Best Quarter/Range: The worst quarter is the lowest quarterly return experienced during the period, a measure of downside risk. The best quarter is the highest quarterly return, and the range is the difference of the high and low, and indicates dispersion.

Worst 4 Quarters: The four consecutive quarters during which the portfolio realized its worst cumulative performance since its inception.

Standard Deviation: Standard deviation measures the total volatility of the fund, by measuring dispersion. Higher standard deviation indicates higher risk. If the quarterly or monthly returns are all the same the standard deviation will be zero. The more they vary from one another, the higher the standard deviation. Thus, it measures uncertainty, which is a measure of risk.

Alpha/Beta/R-Squared: If the policy is appropriate, then the alpha should be positive, the beta close to one, and the r-squared should be high. Beta measures risk relative to the policy. A beta of 1 suggests risk equivalent to the policy. Higher betas indicate higher relative risk. A beta of 1.2 indicates 20% more risk than the policy. The alpha measures the return adjusting for beta. The higher the alpha, the better. R-squared measures the relationship between the policy and the fund. A high r-squared means the returns of the fund can largely be explained by movements of the policy. The higher the r-squared, the more reliable the alpha and the beta. R-squared may range from 0 to 100. Beta, alpha and r-squared are derived from regression analysis using the fund and policy returns as the dependent and independent variables respectively. Roughly, one would expect the fund's performance to equal the return of the policy multiplied by the beta plus the alpha.

Sharpe Ratio/Treynor Ratio: The Sharpe and Treynor ratios are similar. The Sharpe ratio is the excess return per unit of total risk as measured by standard deviation. The Treynor ratio is the excess return per unit of market risk as measured by beta. Both of these should be compared against the corresponding value for the policy. Higher numbers are better, indicating more return for the level of risk that was experienced.

Tracking Error/Information Ratio: Tracking error is the standard deviation of the portfolio's residual (i.e., excess) returns. The lower the tracking error, the closer the portfolio returns have been to its risk index. Aggressively managed portfolios would be expected to have higher tracking errors than portfolios with a more conservative investment style. The information ratio is equal to the annualized excess return of the portfolio divided by the standard deviation of its annualized excess returns (i.e., the tracking error). The statistic can be used to compare added value of more than one portfolio – a low relative return and low tracking risk portfolio can have the same value added as a portfolio with high relative return and high tracking risk. The information ratio is a measure of the efficiency with which the excess returns have been generated. Since the information ratio is a determination of the value added vis-à-vis the risk benchmark, the higher the ratio, the better.

Large-Cap Stock Index Separate Account-Stnd as of 12/31/2007

Investment Strategy

The investment option normally invests the majority of assets in common stocks of companies that compose the S&P 500 Index. Management attempts to mirror the investment performance of the index by allocating assets in approximately the same weightings as the S&P 500 Index. Over the long-term, management seeks a very close correlation between the performance of the Separate Account before expenses and that of the S&P 500 Index.

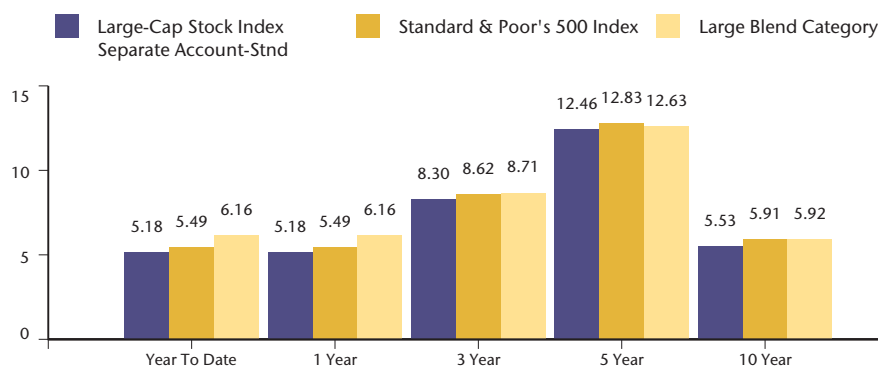


Portfolio managers

Dirk Laschanzky, CFA. Since 10/01/2003. M.B.A., U of Iowa

Scott Smith Since 12/31/2007. B.S., Iowa State University

Long-term returns % as of 12/31/2007



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including the most recent month-end performance, visit the Principal Sponsor Service CenterSM or The Principal Retirement Service Center[®] at www.principal.com, contact your representative of The Principal, or call our Client Contact Center at 1-800-547-7754.

In situations where the net and gross total investment expense figures are different, the mutual fund or the underlying fund in which a Separate Account invests has waived/capped a portion of its management fees through the date displayed in the waiver expiration date or contractual cap expiration date column. Differences may also be shown due to the fund family choosing to pay certain expenses that would normally be payable by the fund. Returns displayed are based on net total investment expense.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	5.18	5.18	8.30	12.46	5.53
Standard & Poor's 500 Index %	5.49	5.49	8.62	12.83	5.91
Large Blend Category %	6.16	6.16	8.71	12.63	5.92
Morningstar Percentile Rankings	-	55	53	48	53
# of funds in category	2090	2090	1623	1278	594

Annual Returns	2007	2006	2005	2004	2003
Total Return %	5.18	15.46	4.58	10.49	28.18
Standard & Poor's 500 Index %	5.49	15.79	4.91	10.88	28.68
Large Blend Category %	6.16	14.17	5.88	10.02	27.05
Morningstar Percentile Rankings	55	29	64	43	33
# of Funds in Category	2090	1980	1743	1611	1526

Morningstar percentile rankings are based on total returns.

Morningstar category

Large Blend

Morningstar Style BoxTM

As of 11/30/2007

Investment style

Value	Blend	Growth	
			Large
			Medium
			Small

Market capitalization

Risk and Return Statistics

as of 12/31/2007 Relative to Standard & Poor's 500 Index

	3Yr	5Yr
Alpha	-0.29	-0.32
Beta	1.00	1.00
R-Squared	100.00	100.00
Standard Deviation	7.78	8.60
Mean	8.30	12.46
Sharpe Ratio	0.52	1.05
Excess Return	-0.32	-0.37
Excess Risk	0.03	0.03
Information Ratio	-9.53	-11.57

Operations

Total Investment Expense Net	0.31%
Total Investment Expense Gross	0.31%
Inception Date	01/01/1990
Total Net Assets (mil)	\$6,713.25

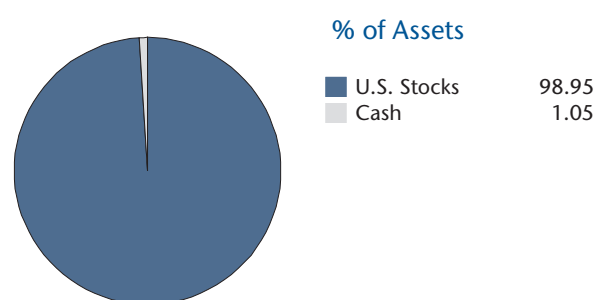


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Large-Cap Stock Index Separate Account-Stnd as of 12/31/2007

Portfolio information

Composition as of 11/30/2007



Top ten holdings

	% of net assets
1. ExxonMobil Corporation	3.76
2. General Electric Company	2.98
3. Microsoft Corporation	2.06
4. AT&T, Inc.	1.77
5. Procter & Gamble Company	1.75
6. Bank of America Corporation	1.56
7. Johnson & Johnson	1.49
8. Chevron Corporation	1.42
9. Cisco Systems, Inc.	1.30
10. Citigroup, Inc.	1.26
% of net assets in top ten holdings*	19.35

Analysis

# of Stock Hldgs	500
# of Bond Hldgs	0
# of Other Hldgs	2
GeoAvgCap (mil)	\$56,035.10
Turnover Ratio	4%
P/C Ratio	9.93
P/E Ratio	15.74
P/B Ratio	2.45

Stock Sector Breakdown

Information	% of net assets	Service	% of net assets	Manufacturing	% of net assets
Software	20.51	Healthcare	41.97	Consumer Goods	37.55
Hardware	3.90	Consumer Services	12.34	Industrial Materials	9.26
Media	10.03	Business Services	7.00	Energy	12.94
Telecom	3.08	Financial Services	4.44	Utilities	11.71
	3.50		18.19		3.64



This retirement focused investment option was selected through the Principal Due Diligence ProgramSM, our rigorous and disciplined process for identifying, hiring, and retaining premier investment talent. This comprehensive investment review approach allows us to identify stable, well managed, investment management firms with premier talent and monitor these firms to identify any adverse changes in their organizations, investment processes, or performance results.

Separate Accounts are available through a group annuity contract with the Principal Life Insurance Company. Insurance products and plan administrative services are provided by Principal Life Insurance Company a member of the Principal Financial Group, Des Moines, IA 50392. See the group annuity contract for the full name of the Separate Account. Certain Separate Accounts may not be available in all states.

The full name of this investment option is Principal Large Cap Stock Index Sep Acct-Standard.

Standard & Poor's 500 Index is a market capitalization-weighted index of 500 widely held stocks often used as a proxy for the stock market.

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index. **Excess Risk** - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

Each index based investment option is invested in the stocks or bonds of the index it tracks. Performance of indexes reflects the unmanaged results for the market segment the selected stocks or bonds represent. There is no assurance an index based investment option will match the performance of the index tracked.

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* Values may exceed 100% if both long and short positions are included in the portfolio.

Diversified International Separate Account-Stnd as of 12/31/2007

Investment Strategy

The investment option normally invests the majority of assets in companies in at least three different countries. It invests in securities of companies with their principal place of business or principal office outside of the United States; companies for which the principal securities trade on a foreign exchange; and companies, regardless of where their securities are traded, that derive 50% or more of their total revenue from goods or services produced or sold outside of the United States. The Separate Account may invest in securities of companies with small to medium market capitalizations.



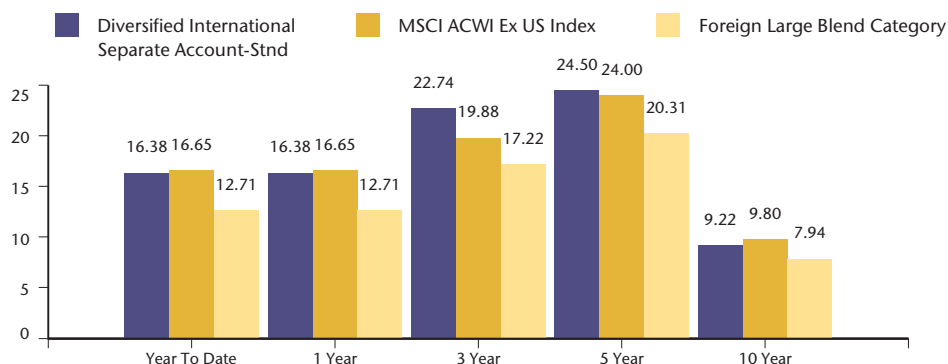
Portfolio managers

Paul Blankenhagen, CFA. Since 12/01/2003. Master, Drake U

Juliet Cohn Since 05/01/2004. Bachelor, Trinity C

Christopher Ibach, CFA. Since 05/30/2007. M.B.A., U of Iowa

Long-term returns % as of 12/31/2007



Performance disclosure

Investment results shown represent historical performance and do not guarantee future results. Investment returns and principal values fluctuate with changes in interest rates and other market conditions so the value, when redeemed, may be worth more or less than original costs. Current performance may be lower or higher than the performance data shown. For more performance information, including the most recent month-end performance, visit the Principal Sponsor Service CenterSM or The Principal Retirement Service Center[®] at www.principal.com, contact your representative of The Principal, or call our Client Contact Center at 1-800-547-7754.

In situations where the net and gross total investment expense figures are different, the mutual fund or the underlying fund in which a Separate Account invests has waived/capped a portion of its management fees through the date displayed in the waiver expiration date or contractual cap expiration date column. Differences may also be shown due to the fund family choosing to pay certain expenses that would normally be payable by the fund. Returns displayed are based on net total investment expense.

Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	16.38	16.38	22.74	24.50	9.22
MSCI ACWI Ex US Index %	16.65	16.65	19.88	24.00	9.80
Foreign Large Blend Category %	12.71	12.71	17.22	20.31	7.94
Morningstar Percentile Rankings	-	20	4	6	23
# of funds in category	743	743	557	462	227

Annual Returns	2007	2006	2005	2004	2003
Total Return %	16.38	27.99	24.14	20.99	33.73
MSCI ACWI Ex US Index %	16.65	26.65	16.62	20.91	40.83
Foreign Large Blend Category %	12.71	24.77	14.72	17.39	33.58
Morningstar Percentile Rankings	20	15	3	10	43
# of Funds in Category	743	657	608	551	504

Morningstar percentile rankings are based on total returns.

Morningstar category

Foreign Large Blend

Morningstar Style Box™

As of 11/30/2007

Investment style			Market capitalization
Value	Blend	Growth	
			Large
			Medium
			Small

Risk and Return Statistics

as of 12/31/2007 Relative to MSCI ACWI Ex US Index

	3Yr	5Yr
Alpha	0.78	-0.68
Beta	1.12	1.06
R-Squared	97.64	96.56
Standard Deviation	12.21	12.23
Mean	22.73	24.50
Sharpe Ratio	1.40	1.62
Excess Return	2.85	0.49
Excess Risk	2.28	2.37
Information Ratio	1.25	0.20

Operations

Total Investment Expense Net	1.06%
Total Investment Expense Gross	1.06%
Inception Date	05/20/1987
Total Net Assets (mil)	\$4,304.70



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Diversified International Separate Account-Stdnd as of 12/31/2007

Portfolio information

Composition as of 11/30/2007

% of Assets		Top ten holdings		% of net assets	Analysis
	Non-U.S. Stocks 99.09	1. Nokia		1.52	# of Stock Hldgs 388
	Cash 0.60	2. Nestle		1.49	# of Bond Hldgs 1
	Preferred 0.27	3. Vodafone Grp		1.49	# of Other Hldgs 3
	U.S. Stocks 0.04	4. Telefonica		1.36	GeoAvgCap (mil) \$30,008.61
		5. E.ON		1.34	Turnover Ratio 88%
		6. Banco Santander		1.31	P/C Ratio 8.32
		7. Toyota Motor		1.22	P/E Ratio 14.46
		8. BHP Billiton		1.17	P/B Ratio 2.47
		9. Roche Holding Ltd		1.14	
		10. Daimler		1.11	
		% of net assets in top ten holdings*		13.15	

Top 5 Countries	% of net assets	Regional exposure	% of net assets
United Kingdom	16.51	Europe	28.84
Japan	14.71	Pacific Rim	8.24
Germany	8.91	Japan	7.35
Switzerland	7.03	Other	4.60
Canada	6.36	Latin America	0.93
		United States	0.02



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The full name of this investment option is Principal Diversified International Sep Acct-Standard.

MSCI ACWI Ex US Index is a free float-adjusted market capitalization index that is designed to measure the combined equity market performance of developed and emerging market countries excluding the US.

Alpha - The difference between an investment's actual returns and its expected performance, given its level of risk (as measured by beta). **Beta** - An investment's sensitivity to market movements. **R-squared** - Ranges from 0 to 100 and reveals how closely an investment's returns track those of a benchmark index. **Standard Deviation** - Measures how much an investment's returns are likely to fluctuate. **Mean** - Represents the annualized total return for a fund over 3 years. **Sharpe Ratio** - Measures how an investment balances risks and rewards. The higher the Sharpe ratio, the better the investment's historical risk-adjusted performance. **Excess Return** - The difference between a manager's return and the return of an external standard such as a passive index. **Excess Risk** - The standard deviation or volatility of excess returns. **Information Ratio** - A risk-adjusted measure commonly used to evaluate an active manager's involvement skill. It's defined as the manager's excess return divided by the variability or standard deviation of the excess return.

International and global investment options are subject to additional risk due to fluctuating exchange rates, foreign accounting and financial policies, and other economic and political environments.

* Values may exceed 100% if both long and short positions are included in the portfolio.

Bond and Mortgage Separate Account-Std Rate Lev

as of 12/31/2007

Investment Strategy

The investment option invests primarily in intermediate-term, fixed-income investments such as public and private corporate bonds, commercial and residential mortgages, asset-backed securities, and US government and agency-backed securities. Value is added primarily through sector allocation and security selection. The Separate Account may enter into reverse repurchase agreements to attempt to enhance portfolio return and income.



Portfolio managers

William Armstrong, CFA. Since 01/01/1997. Bachelor, Kearney State C

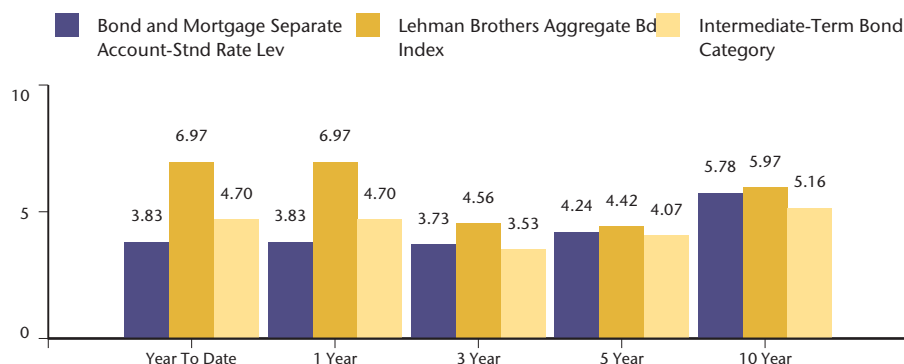
Timothy Warrick, CFA. Since 06/01/2002. M.B.A., Drake U

L. Phillip Jacoby IV Since 11/07/2005. B.S., Boston U

Lawrence Post Since 11/07/2005. B.A., Lehigh U

Bernard Sussman Since 11/07/2005. M.B.A., Cornell U

Long-term returns % as of 12/31/2007



Performance disclosure

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Long Term Returns	Year To Date	1 Year	3 Year	5 Year	10 Year
Total Return %	3.83	3.83	3.73	4.24	5.78
Lehman Brothers Aggregate Bd Index %	6.97	6.97	4.56	4.42	5.97
Intermediate-Term Bond Category %	4.70	4.70	3.53	4.07	5.16
Morningstar Percentile Rankings	-	78	48	41	17
# of funds in category	1097	1097	967	826	414

Annual Returns	2007	2006	2005	2004	2003
Total Return %	3.83	4.73	2.64	4.98	5.04
Lehman Brothers Aggregate Bd Index %	6.97	4.33	2.43	4.34	4.10
Intermediate-Term Bond Category %	4.70	4.15	1.80	3.91	5.10
Morningstar Percentile Rankings	78	19	9	15	36
# of Funds in Category	1097	1092	1043	1035	952

Morningstar percentile rankings are based on total returns.

Morningstar category
Intermediate-Term Bond

Morningstar Style BoxTM
As of 11/30/2007

Duration			Quality
Short	Int	Long	
			High
			Medium
			Low

Risk and Return Statistics

as of 12/31/2007 Relative to
Lehman Brothers Aggregate Bd Index

	3Yr	5Yr
Alpha	-0.77	-0.11
Beta	0.88	0.95
R-Squared	88.17	94.88
Standard Deviation	2.64	3.49
Mean	3.74	4.25
Sharpe Ratio	-0.22	0.33
Excess Risk	0.96	0.82
Information Ratio	-0.86	-0.22

Operations

Total Investment Expense Net	0.55%
Total Investment Expense Gross	0.55%
Inception Date	02/01/1983
Total Net Assets (mil)	\$6,181.13



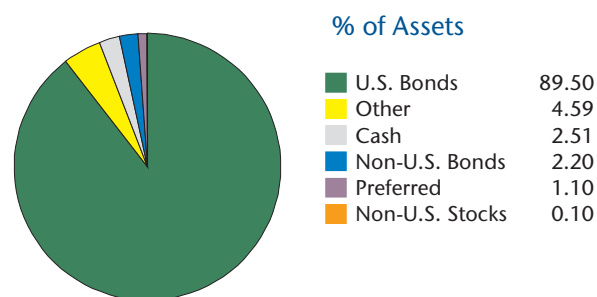
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Bond and Mortgage Separate Account-Stnd Rate Lev

as of 12/31/2007

Portfolio information

Composition as of 11/30/2007



Top ten holdings

% of net assets

Analysis

1. FGLMC 5.5% 12/01/2037	4.83
2. FGLMC 6% 12/01/2037	4.26
3. FNMA 5.5% 12/01/2037	3.47
4. FGLMC 5% 12/01/2037	3.10
5. FNMA 6% 12/01/2037	2.96
6. FNMA 5% 12/01/2037	2.50
7. US Treasury Bond 6.25%	2.28
8. US Treasury Note 3.625%	2.02
9. FNMA 5% 12/01/2022	1.70
10. FNMA 4.5% 12/01/2022	1.70
% of net assets in top ten holdings*	28.82

# of Stock Hldgs	5
# of Bond Hldgs	1471
# of Other Hldgs	296
Turnover Ratio	27%

Credit Analysis

% Bonds

AAA	57.93
AA	7.56
A	9.44
BBB	14.14
BB	5.92
B	4.40
Below B	0.61
Not Rated	0.00

Statistics

Avg Eff Duration (Yrs)	4.71
Avg Eff Maturity (Yrs)	8.21
Avg Credit Quality	AA
Avg Weighted Coupon	5.52
Avg Weighted Price	101.09



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The full name of this investment option is Principal Bond and Mortgage Separate Account-Stnd Rt Lev.

Lehman Brothers Aggregate Bd Index represents securities that are domestic, taxable, and dollar denominated. The index covers the U. S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis.

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Fixed-income investment options are subject to interest rate risk, and their value will decline as interest rates rise. Neither the principal of bond investment options nor their yields are guaranteed by the U.S. government.

Fixed-income and asset allocation investment options that invest in mortgage securities are subject to increased risk due to real estate exposure.

* Values may exceed 100% if both long and short positions are included in the portfolio.